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with Shopping Center Age
November 1983
The newsmagazine for retail operations

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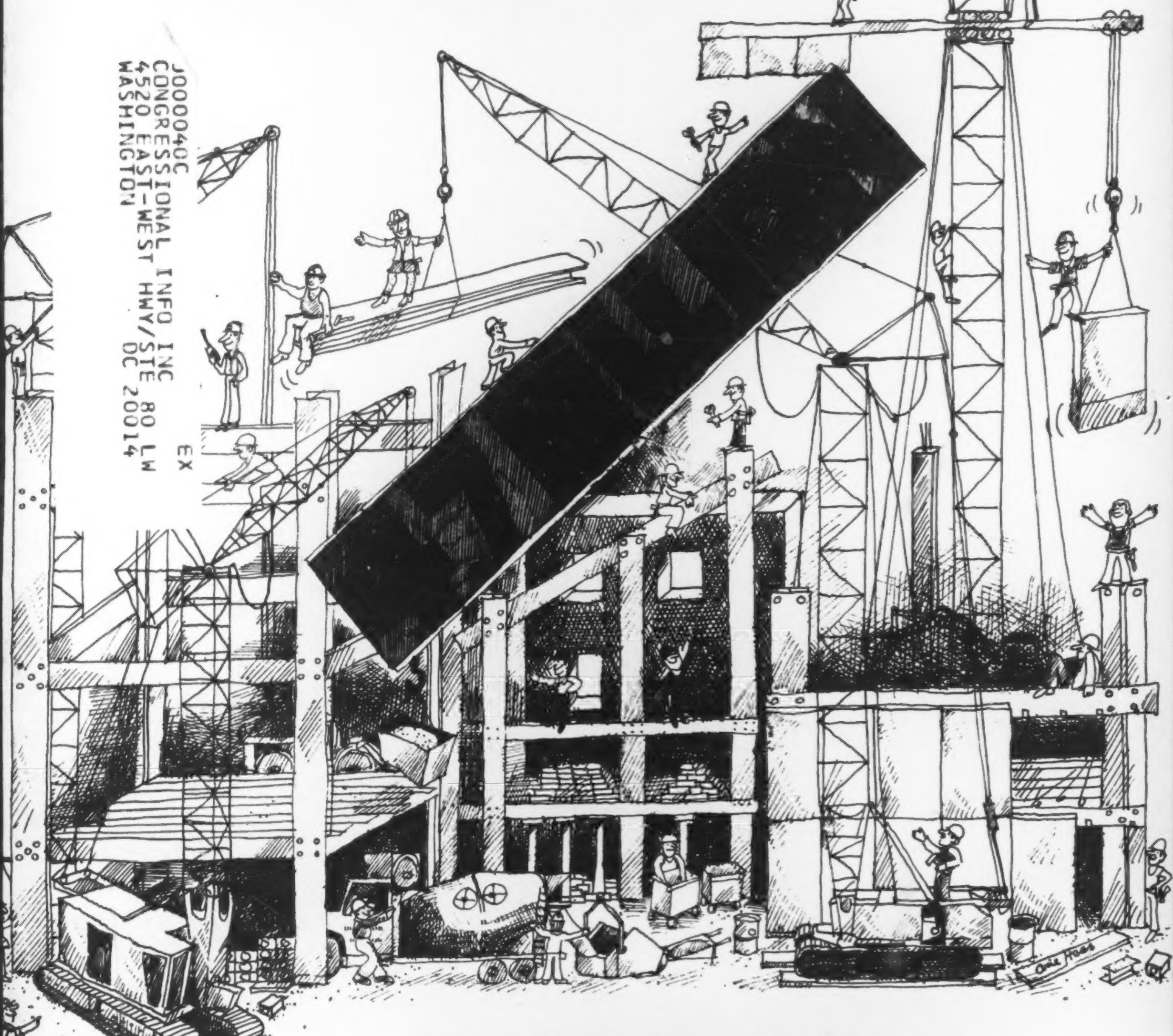

Top 25 Big Builders spend $4.7 billion in 1983

TWENTY DOLLARS A YEAR (USA)

Chain Store Age EXECUTIVE

Volume 59, No. 11/November 1983

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Big Builders draft 1983 blueprint at $4.7 billion

Even though this year's figures are up 8%, not all of the money represents additional space

It's a safe bet to say that although the term "aggressive" isn't entirely accurate, when it comes to 1983 capital expenditures the nation's leading retailers are less concerned with hoarding their dollars than they were in recent years.

By year-end, the top 25 Big Builders will have spent a total combined capital expenditures budget of $4.7 billion. This is up 8% from the $4.34 billion spent by the 1982 group. It is also more than an 11% increase from the $4.25 billion total spent last year by the companies that qualified for the 1983 list.

However, a quick look at other measures of capital expenditures, namely gross and net square footage expansion, shows that there isn't necessarily a correlation between monies spent and space added. Sears, Roebuck is No. 4 on the capital expenditures list, spending $400 million this year, but adding only 700,000 sq. ft. of space. On the other hand, Home Depot is adding approximately 720,000 sq. ft., but spending only an estimated $3 million to do it. Home Depot's secret is that it's been growing by taking over space abandoned by other retailers. These have either gone out of business altogether or simply abandoned the particular market area.

Home Depot hasn't been alone in utilizing this strategy, particularly in the wake of the closing of more than 300 Woolco units at the end of 1982. The sudden availability of all this space combined with what was already on the market caused numerous discount operations, as well as catalog showroom companies (retailers which have operations particularly well suited to the available locations) to immediately up their original expansion projections for 1983.

Then there were such moves as Bradlees' wholesale takeover of 11 sites where Memco stores either already operated or were in the planning stage. Ames Department Stores' proposed acquisition of King's Department Store units, along with its own aggressive expansion program, makes Ames another addition to the Big Builders gross and net square footage rosters.

This is turning out to be a year of major growth for many of the discount store operations—once again proving out the hypothesis of the survival of the fittest. Based on this theory, it's not surprising that Wal-Mart, with a planned 1983 addition to gross square footage of 6,376,000 sq. ft., takes over the No. 1 slot (replacing Safeway) when it comes to space additions.

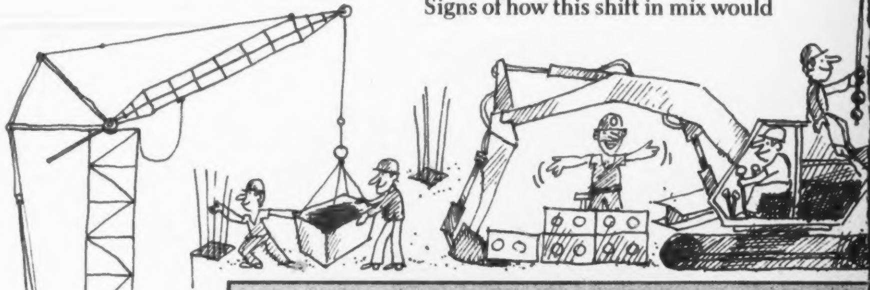
Meanwhile, perennial list-maker Sears had the largest percentage increase in capital expenditures, closely followed by J. C. Penney. At Sears this year's budget was up by 60%; at Penney by 38%.

But instead of devoting the bulk of their increased funding to new store expansion, the two chains are hedging their bets by lining up for what may be the biggest "battle of the prototype" ever waged.

Sears has already fired the first salvo with the opening of its "store of the future" in King of Prussia, Pa., in July of this year. The company's confident that it has created a prototype that can be used for all new stores and as a guideline for the remodeling of all of its major existing units.

Penney, though, has readied some weapons of its own. Having already made a commitment to project more of a "department store image" when it launched its fashion program in 1978, this year Penney made another move when it swept away most of many of its hard lines classifications. This cleared the way for a shift in its merchandise mix to 75% soft goods/25% hard goods. (See *Chain Store Age Executive*, September 1983.)

Signs of how this shift in mix would



Capital expenditures

	1983 (000)	1982 (000)
1. Safeway	$500,000	$512,000
2. Dayton Hudson	475,000	395,000
3. Kroger	410,000	388,600
4. Sears, Roebuck	400,000	251,000
5. J. C. Penney	395,000	287,000
6. Federated	325,000*	421,000
7. K mart	320,000*	306,400
8. Winn-Dixie	178,600	151,200
9. Jewel Cos.	166,000	167,000
10. May	140,000	158,800
10. Lucky	140,000	138,000
12. Carter Hawley Hale	138,000*	144,000
13. Stop & Shop	125,000	69,000
14. Supermarkets General	110,000	81,000
15. Allied Stores	100,000	98,000
16. Albertsons	95,000	82,000
17. Toys "R" Us	90,000	75,000
17. Wal-Mart	90,000	83,700
19. Melville	85,000	91,000
20. Associated Dry Goods	85,000	78,800
21. R. H. Macy	80,000*	60,000
22. A&P	75,000	33,800
23. Zayre	72,000	63,700
24. Jack Eckerd	60,900	55,800
25. U.S. Shoe	50,000	34,000

*: Estimated

Source: Chain data and *Chain Store Age Executive* estimates

translate into presentation first appeared at the chain's stores in Atlanta and Tampa, Fla. But now Penney hopes that its newest store, opening this month in Roosevelt, Long Island, will show how all the pieces fit together.

Although corporate strategy may have dictated such full-scale changes for both chains, plans were also no doubt influenced by the continuing slowdown in new shopping center construction during this year.

The slowdown, coupled with the residual problems of the recession from which the economy is at last emerging, affected the major department store chains in particular. Although most continued to open some new store units (particularly where suitable sites were available in "key" market areas such as Florida, Texas and California), most of their energies went into remodeling projects.

Throughout the country, many department store companies are finding themselves with units located in regional malls which may be as much as 15 to 20 years old. With shopping center developers discovering they can't build (although they are starting to up new construction as the financial binds loosen), they've been finding out that refurbishing these older centers is probably the next best thing.

It benefits everyone when the department store anchors (and that applies to Sears and Penney, too) get in on the act.

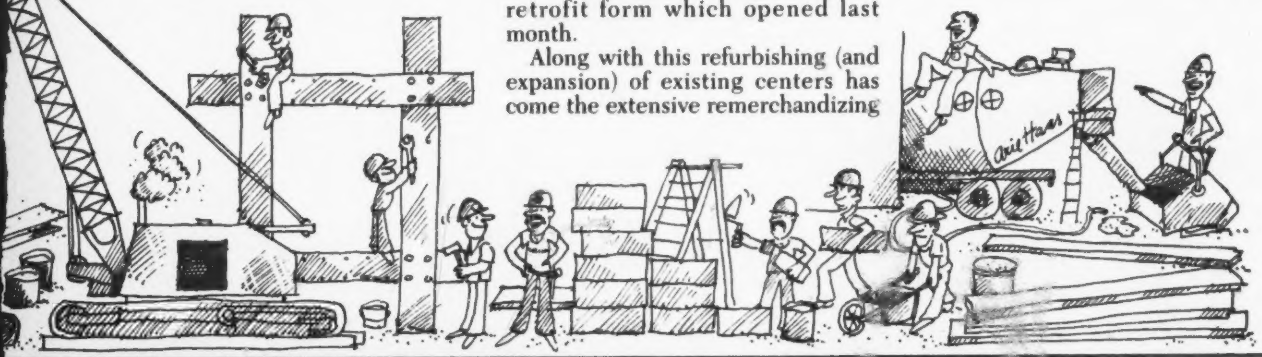
An example is what's happened at Montgomery Mall in Bethesda, Md. The owners, including May Centers, recently spent millions to expand and update the 15-year-old center. In response, among its five anchor stores, both Hecht, a division of the May Co, and Garfinckels, a division of Allied Stores, undertook massive remodeling programs. Now, they have been joined by Sears which selected Montgomery Mall as the first site to debut its "store of the future" prototype in retrofit form which opened last month.

Along with this refurbishing (and expansion) of existing centers has come the extensive remerchandizing of selected projects, altering the tenant mix and making previously leased spaces suddenly available. This is where specialty stores move into the picture.

Leasing agents are particularly keen on going after the "hot" retailing concepts—including U.S. Shoe's Casual Corner, Carer Childs and Ups N Downs specialty stores and Melville's Thom McAn, Foxmoor and Chess King stores, citing just a few of each company's numerous specialty operations. Developers like the near-stratospheric numbers generated by such concepts—sales climbing up to $300, $400 and perhaps even $600 per square foot.

As a result, among the specialty store companies, U.S. Shoe and Melville, in particular, have added a great deal of new space this year. But that's not the major reason why both companies are featured prominently on this year's Big Builders roster.

Instead, it's chiefly because of the



Gross square footage added

	1983 (000)	1982 (000)
1. Wal-Mart	6,376	4,046
2. Dayton Hudson	5,300	2,000
3. Kroger	5,033	4,700
4. Safeway	4,340	4,254
5. K mart	3,400	3,750
6. Federated	2,527	4,527
7. Ames	2,334	272
8. Melville	2,200	2,030
9. Stop & Shop	2,090	1,407
10. Zayre	2,000	1,250
11. Lucky	1,827	2,529
12. Jewel	1,671	1,355
13. Albertsons	1,600	1,100
14. Associated Dry Goods	1,587	917
15. J. C. Penney	1,500	1,900
15. U.S. Shoe	1,500	1,120
17. Winn-Dixie	1,318	1,346
18. Toys "R" Us	1,100	1,900
19. Allied Stores	917	778
20. Best Products	800	175
20. Service Merchandise	800	495
22. Supermarkets General	760	400
23. Home Depot	720	480
24. Sears, Roebuck	700	1,800
25. Revco	652	785

Source: Chain data and *Chain Store Age Executive* estimates

Net square footage added

	1983 (000)	1982 (000)
1. Wal-Mart	6,000	3,807
2. Dayton Hudson	5,333	2,700
3. Kroger	5,033	4,100
4. Safeway	4,800	3,031
5. K mart	3,000	3,400
6. Ames	2,334	200
7. Melville	2,000	1,900
8. Zayre	1,952	600
9. Stop & Shop	1,690	1,131
10. Associated Dry Goods	1,587	917
11. Federated	1,525	4,459
12. Albertsons	1,500	708
12. U.S. Shoe	1,500	1,100
14. Lucky	1,177	2,200
15. Jewel Cos.	1,126	586
16. Toys "R" Us	1,100	1,900
17. Allied Stores	636	95
18. Best Products	800	200
18. Service Merchandise	800	250
20. Home Depot	720	480
21. Supermarkets General	710	300
22. Rite-Aid	650	620
23. Revco	622	779
24. Winn-Dixie	510	623
25. J. C. Penney	500	1,000

Source: Chain data and *Chain Store Age Executive* estimates

commitment of these companies to their off-price divisions—Melville with Marshalls and U.S. Shoe with Front Row, T. H. Mandy, Outletters, Crackers and Merchants Linen Warehouse. (Zayre is also devoting a large percentage of its 1983 capital expenditures budget of $72 million to its off-price divisions, T. J. Maxx and Hit or Miss).

Off-price is the hottest phenomenon to hit the retailing industry this year and stores are showing up everywhere. Examples are found in regional malls, in strip centers, in downtown mixed-use projects, in freestanding units and in specifically designated off-price/outlet centers. (They are also finding a home in some of the former Woolco units which, because of their mammoth size, are being subdivided to house more than one retail tenant.)

Of course, other sectors of the industry are busy adding stores too—including the leading drug store chains. Companies such as Rite-Aid and Jack Eckerd have been moving into new market areas as well as adding to present market strength. Yet, many drug store companies complain that their expansion programs are still being hampered by a lack of suitable available space. As a consequence, most of these companies are opening somewhat fewer stores than in 1982.

The supermarket industry continues to dominate the Big Builders list—but not to the same extent as in years past. It's not that the supermarketers are drawing back, but that the discount and off-price operators are that much more expansion-minded.

The real news in the supermarket industry comes from the race Safeway and Kroger appear to be running. This year Kroger is hotter than ever on Safeway's heels and, in fact, is adding 5,033,000 gross square feet compared with Safeway's 4,340,000 sq. ft. (and Safeway's figures cover worldwide operations).

Kroger's big move in edging up came about this year through its merger with the Dillon Cos. Combined with expansions taking place at both companies, this will bring the corporation's total supermarket store count to 1,498 by year-end. Safeway's will stand at 2,511 (again, encompassing worldwide operations).

In general, the route the leading retailers have been pursuing this year when it comes to their capital expenditures is an outgrowth of their corporate objectives.

If the interest rates don't inch up too much, if the current sales upturn continues, it's almost a sure thing that 1983's Big Builders will be even busier in 1984. ■

BIG BUILDERS/**SAFEWAY**

Supermarketer tops list again

ing · safew
rolls ready to serve
NEW

Safeway projects that it will have a total of 2,511 stores worldwide by the end of 1983.

This year Safeway was again the top Big Builder in terms of capital expenditures, with a budget of about $500 million. Yet, the Oakland, Calif.-headquartered supermarket giant is targeting an addition of 4,347,000 sq. ft. of gross selling space to its food stores worldwide.

The chain's expansion plans call for 152 new stores this year, only one more than was built in 1982. Safeway plans to close 95 units this year compared with the 162 units it shuttered the previous year which included its entire 65-store Omaha division.

At the end of 1983, Safeway projects that it will have 2,511 stores worldwide, compared with 2,454 stores at the end of 1982.

Of its $500 million capital expenditures budget this year, the money will be used to build more than 120 stores and extensively remodel about 90 others.

Safeway officials say they are attempting to support real earnings growth by an expanded sales base. To achieve this goal, Safeway has undertaken what it describes as an aggressive merchandising program. Additionally, it is confining its construction and remodeling program to stores in areas that the company believes offer the best potential return on investment.

Approximately 915 stores at the end of 1982 were equipped with computer-assisted power management systems to monitor and control energy use. Safeway installed another 141 checkstand scanning systems last year and expects to have a total of 500 stores with them by the end of 1983.

At year-end 1982, Safeway had 1,769 conventional supermarkets averaging 23,761 sq. ft.; 529 superstores (40,771 sq. ft.); 81 Food Barns (22,716 sq. ft.), and 67 Liquor Barns (18,746 sq. ft.). Purchases of fixtures and equipment amounted to $231 million in 1982.

According to Safeway officials, major sources of capital funding were funds obtained from operations. Sales/leaseback financing and mortgage financing provided $178 million in 1982. ■

Big budget is No. 1

	1983	1982
Stores in operation at end of calendar year	2,511	2,454
Total stores added in calendar year	152	151
Square footage added in calendar year	4,347,000	5,128,7
No. of stores closed	95	162
Total capital expenditures	$500 mil.	[illegible] mil.

Source: Chain data and Chain Store Age Executive estimates

Grows by 5.3 million sq. ft., plus an entire new division

Dayton Hudson's nine-store test of Plums carried a $30 million price tag.

Dayton Hudson is having a busy year.

By the time the end of January rolls around and its fiscal year closes, the company will have added a minimum of 39 Target stores, 17 Mervyn's stores, one department store and approximately 55 B. Dalton bookstores for an increase in total retail space of approximately 5.3 million sq. ft. And that doesn't even include the beginnings of a whole new division, Plums, The Elegant Discounter, which also took place this year.

Moving into new regions

	1983	1982
Stores in operation at end of calendar year	1,187	1,074
Total stores added in calendar year	113	105
Square footage added in calendar year	5,300,000	2,000,000
No. of stores closed	0	0
Total capital expenditures	$475 mil.	$395 mil.

Source: Chain data and *Chain Store Age Executive* estimates

To make all this happen, and excluding the expenses involved in the Plums "experiment," for the current fiscal year Dayton Hudson upped its capital expenditures budget by 20% to $475 million from $395 million spent last year. That was when the company added 16 Target stores, 12 Mervyn's stores and approximately 110 B. Dalton units, for a total of 2 million sq. ft.

Beyond the actual additions to square footage, Dayton Hudson's construction activities this year have also been significant in terms of moving two of its divisions into new, and potentially extremely profitable, market areas.

This year Target opened stores for the first time in California, eight in San Diego and 19 in Los Angeles. Here, as well as in Arizona and El Paso, Tex. (two additional markets which the division entered this year), the company has been able to take advantage of the acquisition deal for 33 former Fed-Mart stores which it made in 1982. This, in turn, allowed it to add such a significant amount of total retail square footage at considerably lower cost than if it had built these stores from the ground up.

As for Mervyn's, emphasis there has been on the building of its newly organized South Central territory where seven units will be open by year-end, along with its 10 new units in California, Arizona, Nevada and Colorado.

The South Central territory, with a new headquarters building and distribution center in Dallas, will eventually include 40 stores planned for Texas between now and 1987, as well as stores in surrounding states.

However, what riveted the attention of much of the retailing industry on Dayton Hudson this year was the launching of a nine-store "test" of its Plums concept, with a price tag of $30 million. The first three stores opened in the Los Angeles market in early summer, each containing approximately 25,000 gross square feet, or 20,000 net square feet of selling space, and aimed specifically at an upscale consumer. There will be six operating by year-end.

All of these actions, along with the building program taking place at B. Dalton, further illustrate the fact that Dayton Hudson is continuing rapid diversification from its original department store base. This year it will have added only one new department store.

In total, plans call for an investment in the company's existing businesses (not including Plums) of $2.4 billion through 1987. ■

BIG BUILDERS/**SEARS**

Prototype ups budget 60%

With all systems now go for its new store prototype, this year Sears, Roebuck's Merchandising Group upped its capital expenditures budget by 60%, to $400 million from only $251 million spent in the previous fiscal year, ended Dec. 31, 1982.

Most of the increase is being used in the conversion of existing units to reflect Sears latest merchandising concepts.

The first hints of the new prototype appeared in Sears' Vernon Hills, Ill., store and in two Miami, Fla., units. But it was really with the opening of its King of Prussia, Pa., store in mid-July that everything was finally pulled together.

Dubbed by Sears, the "store of the future," the suburban Philadelphia unit has been designed to reflect the direction in which Sears has been moving with its merchandise mix for the past several years. That period has seen the gradual addition of more upscale merchandise and more brand name goods, particularly in areas such as apparel and home furnishings.

However, up until the new prototype debuted, management continued to express concern that the look of the stores themselves didn't match up to the new merchandising thrust. King of Prussia brings Sears up to date.

Based on the reaction of Vernon Hills (one of the first stores to begin incorporating the new presentation techniques) and early reports from King of Prussia, Sears is in the midst of an accelerated remodeling program to expand the prototype for-

Sears rolled out its "store of the future" in King of Prussia, Pa., in July—one of 12 such openings

mula.

Edward A. Brennan, chairman of the Merchandising Group, reports that by 1990 all of the company's 392 full-line stores will have been remodeled, with merchandising changes occurring even before the structural changes can be made. It is also expected that most of the big volume Sears units will get the makeover sometime in the next three years. The average cost per store is estimated at $2.5 million.

The layout of the "stores of the future" also attempts to solve another of what has long been acknowledged to be one of Sears' key problems. While it may often have the merchandise the consumer is looking for, in the past the layout often made it too confusing for the customer to find it. The frustration lost customers.

To solve this problem, the "stores of the future" are being rearranged with merchandise grouped by lifestyle and by end-use. In addition, a race track traffic pattern allows departmental depth to be kept to 35 ft. instead of the 55-60 ft. of the past. This has two effects: It makes it easier for the consumer to identify separate departments and it provides the new units with a look more akin to a midrange department store. The last factor is particularly significant since Brennan has already proclaimed that he wants to make certain Sears is recognized as the "only true department store" (*Chain Store Age Executive*, September 1983).

While all this remodeling gets under way, by year-end Sears will have added 12 "stores of the future" plus two smaller units. It plans for 14 additional "stores of the future" to be built in 1984.

The new stores this year add 700,000 gross square feet to Sears' operation. Yet, the total effect has been to reduce net square footage by approximately 100,000 sq. ft. That's because this year's building program has, in fact, added only four brand-new stores, with the 10 others being relocations. The relocated stores are substantially reduced in size from the former units. ■

All systems set to go

	1983	1982
Stores in operation at end of calendar year	[illegible]*	872*
Total stores added in calendar year	14	26
Square footage added in calendar year	700,000	1,000,000
No. of stores closed	10	46
Total capital expenditures	$400 mil.	$251 mil.

*estimate

Source: Chain data and *Chain Store Age Executive* estimates

BIG BUILDERS/**KROGER**

Budget reflects $410 million for expansion/remodel plan

Kroger grabbed more than its share of the supermarket industry spotlight this year as a result of its merger with the Dillon Cos., adding 219 supermarkets and 252 convenience stores to the corporation's store roster.

But it hasn't stopped there.

By the end of its fiscal year in January 1984, Kroger will have invested approximately $410 million in a widescale store expansion and remodeling program. This will add 2,950,000 sq. ft. to the combined Kroger and Supe-Rx drug store operations and 592,000 sq. ft. to the Dillon Cos. divisions.

Of this amount, approximately $330 million is being used for the Kroger supermarket operations. This includes approximately 65 Kroger food stores, down from the 101 added in the previous year. However, 100 store remodelings are being undertaken, in contrast to 19 last year.

More than two-thirds of Kroger's stores being built in 1983 are located in the Sunbelt, cited by the company as a profitable area for future growth. The Dillon merger, meanwhile, provides the company with a strong market presence in such other growth areas of the country as Colorado, Arizona, California and Texas.

At the end of last year the average size of Kroger's supermarket units stood at approximately 30,000 sq. ft. This number is on its way up with the company's emphasis on the combination store format with an average store size of 45,000 sq. ft. Not only

Kroger is allocating approximately $330 million for its supermarket operations.

are most of the remodelings aimed at transforming existing units into this concept, but of the stores being added this year, approximately 70% are combination stores. There were 58 added last year.

The combination stores, in effect, combine traditional supermarket and drug store merchandise classifications under a single roof. In addition, the one-stop-shopping concept extends to the inclusion of a variety of service specialty departments.

During 1983 the company is adding approximately 200 floral shops, 150 health foods departments, 130 service seafood shops and a similar number of service meat counters. They join 120 new in-store bakeries, 90 delis and 80 cheese shops.

The combination store format is also being adopted at the Dillon Cos. with this year's capital expenditures budget of approximately $80 million including plans for 12 new combination stores along with 18 convenience stores.

Dillon joins Kroger in the expansion of specialty offerings. By January it will have opened 15 delis, 14 bakeries, 13 pharmacies and eight health food departments.

Kroger's commitment to the drug store business translates this year to the opening of 64 new stores. This compares to the previous year when the division opened 48 stores and added 29 units through acquisitions of existing groups of stores in Illinois, Ohio and Florida.

In addition, at SupeRx a major store revitalization program is under way. ■

Basking in the spotlight

	1983	1982
Stores in operation at end of calendar year	2,582[1]	1,199
Total stores added in calendar year	54[2]	178
Square footage added in calendar year	5,033,000[2]	4,700,000
No. of stores closed	8	181
Total capital expenditures	$410 mil.	$388.6 mil.

[1] Reflects Kroger's merger with the Dillon Cos.
[2] Reflects only new store construction by both Kroger and Dillon.
Source: Chain data and *Chain Store Age Executive* estimates

BIG BUILDERS/**ALLIED STORES**

Spending set at $100 million

When it comes to new store expansion this year, Allied Stores hasn't come roaring back like a lion, but it hasn't been as meek as a lamb either.

A year ago Allied, reeling from the enormous interest expense stemming from its financing of the purchase of Garfinckel, Brooks Brothers, Miller & Rhoads, announced that it was sharply cutting its previously announced five-year capital expenditures budget. It went from the original $750 million to $550 million.

For the year 1982 itself, Allied was extremely cautious. Total capital expenditures dropped 24% from the year earlier, to approximately $100 million.

That is the same level that was set for 1983. Yet, the company has been able to show considerably more aggression in terms of new store openings.

By the time the current fiscal year comes to a close in January, Allied will have opened nine new department stores; one new Bonwit Teller unit; four Brooks Brothers stores; six Ann Taylors and 15 Catherine's and Plus-Size stores.

This is in comparison with last year when the company opened only four new department stores; six Brooks Brothers stores in the United States and two in Japan; six Ann Taylors, including one replacement store, and eight Catherine's and Plus-Size stores.

The activity this year will result in the net addition of 838,000 sq. ft. of space, compared with last year's 95,000. During 1982, Allied had closed the old, extremely large Donaldson's flagship store in Minneapolis (now replaced by a smaller unit), another department store, two Ann Taylor units and a Catherine's. Reportedly, no

Becoming more courageous

	1983	1982
Stores in operation at end of calendar year	303	258
Total stores added in calendar year	45	18
Square footage added in calendar year	917,000	778,000
No. of stores closed	0	2
Total capital expenditures	$100 mil.	$98 mil.

Source: Chain data and *Chain Store Age Executive* estimates

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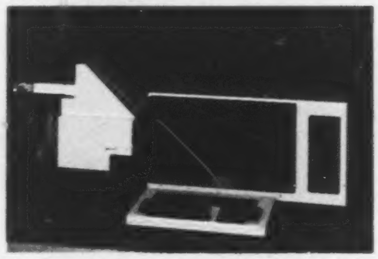

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stores are being closed during this current year.

The company has stated that it is assuming a more aggressive expansion posture largely in reaction to a general improvement in the economy.

But in addition, the company has been able to successfully refinance a large portion of its debt by entering into revolving credit agreements totaling $100 million. These, along with other improvements in the financing sector, have substantially lessened its interest rate burden.

Allied learned the hard way that it is impossible to do everything at once, and that lesson now extends to the geographical dispersion of its department store business.

The company is placing great emphasis on the strength of its department stores in New England, in the Middle Atlantic States, in the Southeast (with major operations in Florida, Virginia and Tennessee), in Texas and in the Pacific Northwest. ■

BIG BUILDERS/**FEDERATED**

Expansion slackens to $325 million

Federated's plans include its year-end closing of its six-store Bullock's northern division.

In its fiscal year ended Jan. 31, 1983, Federated Department Stores was extremely aggressive. It utilized a record capital expenditures budget of $421 million not only to modernize existing units, but to add approximately 4.6 million gross square feet of space (including the acquisition during that year of The Children's Place).

Federated believes it has paid dearly for this effort. Management puts much of the blame for the company's disappointing financial results for the year, when net income fell 9.6% on a very modest sales increase of 8.9%, on the costs of the expansion program. (There were other contributing factors such as weak operating results at some of its divisions, linked to the lingering effects of the recession well into the fourth quarter.)

Management is still confident that long-term the expansion will be worth the price, but for the near-term it has pulled in its horns somewhat. Industry observers place this year's total capital expenditures budget in the vicinity of $325 million, down approximately 23% from the $421 million spent in the previous fiscal year.

In turn, this year the company will be adding 2.5 million gross square feet of space, and approximately 1.5 million net square feet of space, (affected by the planned closing at year-end of Federated's Bullock's six-store northern division).

This compares with the addition in the year-earlier period of 4.6 million gross square feet of space, and an estimated 4.5 million sq. ft. net, again taking into account the purchase of The Children's Place. Also during 1982 the Ralphs Supermarket division acquired 17 Market Basket supermarkets sold off by Kroger.

By the end of this year, the company will have opened 10 department stores, including the much heralded entry of Bloomingdale's into the Dallas market where its new unit opened last month. During the previous year Federated opened 17 new department store units.

Although representatives of several of Federated's department store divisions have been extremely outspoken in their opposition to the rise of off-price retailing (*Chain Store Age Executive*, August 1983), Federated has been quietly increasing its own involvement.

This year it has opened two additional Filene's Basement stores in Boston, along with an additional Basement store in Flushing, N.Y. (joining its three reportedly very successful units on nearby Long Island).

The Children's Place will have opened at least 25 additional stores by year-end, with a significant number of these reported to be its offspring, The Children's Outlet. (Between the acquisition of The Children's Place in March 1982 and Jan. 31, 1983, the new division opened 16 children's apparel stores and eight outlet stores.)

Federated also remains very much committed to its supermarket division, Ralphs. Seventeen new stores were added in 1982 and 21 new stores are planned for 1983, including the expansion of Ralphs' very successful superstore concept (*Chain Store Age Executive*, May 1983).

In the period from 1982 through 1985, Federated is expecting to invest approximately $180 million in the Ralphs division, nearly doubling the investment of the previous four-year period. Of this amount, nearly $93 million was spent in 1982 for what management refers to as the "opportunistic purchase of stores and sites."

As for its two upscale mass merchandising divisions, in the same period (1982-85), Federated says that it is upping its investment in these two divisions to $150 million, an increase of 83% over the amount invested in this segment in the previous four-year period. Approximately $61 million was spent in 1982. During that year Gold Circle opened 14 new stores, the greatest single-year growth in its history, with only one additional store opened this year. At Richway, seven new stores opened last year. ■

Pulling in the expansion horns

	1983	1982
Stores in operation at end of calendar year	562	508
Total stores added in calendar year	60	139[1]
Square footage added in calendar year	2,527,000	4,567,000[1]
No. of stores closed	6	1
Total capital expenditures	$325 mil.*	$421 mil.

[1] Reflects 1982 acquisition of The Children's Place
*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Number of units set to climb by 62%

Last summer at Wal-Mart's annual meeting, Sam Walton, the discount chain's chairman and ceo, predicted that his chain will have 1,250 stores and $14 billion in sales by 1988. Looking at the record of building and expansion in recent years, there is no reason to doubt that claim.

By the end of this year Wal-Mart will have increased the number of stores in operation by 62%. The increase is just one lap of a steady course of expansion that will continue into 1984 and beyond.

David Glass, vice chairman and cfo, estimates that capital expenditures will swell another 11% in 1984 to $100 million.

This year Wal-Mart will add 91 stores to the roster and close none. In addition, the chain opened a highly sophisticated 900,000-sq.-ft. distribution center/warehouse in Cullman, Ala.

Capital expenditures in 1983 will total $90 million, and at year-end the chain will be running 640 stores in 15 states.

Wal-Mart topped the upward trend in capital expenditures that took the industry average from 1% to 6% in 1983, as its expenditures represented a 7% increase over 1982 spending.

Wal-Mart's stores range in size from 30,000 to 80,000 sq. ft. with the average unit covering 50,000 sq. ft. The square feet available for the sale of merchandise has been on a steady upward incline for the past decade, with particularly steep advances in the past two years—in 1982 the chain's total climbed from 15.5 million sq. ft. to 23.9 million, and to 27.7 million in 1983.

Entering new territory

	1983	1982
Stores in operation at end of calendar year	640	459
Total stores added in calendar year	91	69
Square footage added in calendar year	6,373,883	4,056,814
No. of stores closed	0	5
Total capital expenditures	$90 mil.	$84 mil.

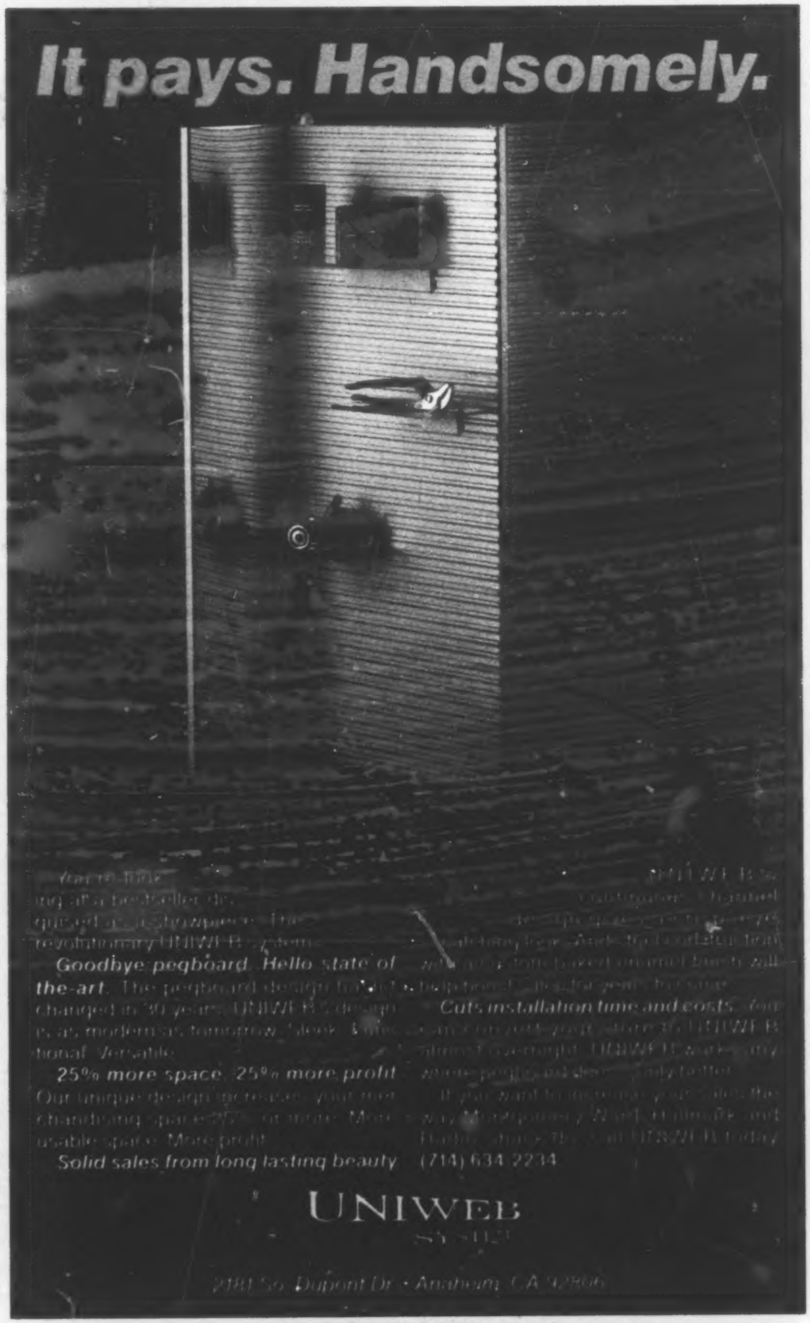
Source: Chain data and *Chain Store Age Executive* estimates

Glass put this year's construction costs at $15.35 per square foot.

Wal-Mart converted a 100,000-sq.-ft. building in Oklahoma City to Sam's Wholesale Club this year at a cost of $400,000, and since its opening last April the sales results have been strong. Wal-Mart plans to capitalize on this success with the addition of two more Sam's Wholesale Clubs in Dallas and Kansas City.

Sam Walton stresses that the chain's strategy is to backfill existing territory.

However, in addition to filling in the spaces the chain is venturing into some new territory, including an increased number of stores being located in and around metropolitan areas within the chain's regional trade territory. ■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BIG BUILDERS/K MART

Activity consistent at major discounter

K mart's capital expenditures declined 15% to $306 million in 1982 from $360 million in 1981. In the remainder of this year the chain is unlikely to have capital expenditures much higher than 1982 levels.

While spending levels are not growing at the nation's largest discounter, they are not insignificant, and spending is in line with K mart's efforts to control expenses and get back on track in sales and earnings. K mart's sales are projected to total at least $18.6 billion in 1983, up from $16.8 billion in 1982.

Although K mart declined to disclose its capital expenditures for this year, the company's annual report predicts that the discount store operator will open 75 K mart stores in 1983 and 30 Designer Depot off-price, specialty units. In 1982 the chain opened 70 K marts, averaging about 100,000 sq. ft., and one Designer Depot of approximately 25,000 sq. ft.

K mart has been spending heavily on remodeling and refurbishing, on beefed up home improvement departments and on new fashion merchandising for basic hard lines, such as its Kitchen Korner department. Kitchen Korner was launched in 27 K marts in 1982 and is due to go into about 300 additional stores this year. Bed and bath shops are planned for 300 stores in 1983.

Spending levels stay even

	1983	1982
Stores in operation at end of calendar year	2,450*	2,380
Total stores added in calendar year	80*	171
Square footage added in calendar year	4,000,000*	8,600,000
No. of stores closed	17	53
Total capital expenditures	$320 mil.	$306 mil.

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Home improvement centers for DIYers is the other hot merchandise area being developed by K mart. The discount store division has slated 40 5,000-sq.-ft. departments to start the program with a long range target of 500 centers.

K mart's pet building project this year is the addition of 30 stores to the Designer Depot women's apparel specialty chain, its major entry in off-price retailing. The stores will range in size from 25,000 to 30,000 sq. ft. and K mart expects the chain to be profitable by the end of 1984. At that time it plans to be operating 100 Designer Depot stores.

K mart officials say that Designer Depot, which opened in Farmington Hills, Mich., in 1982, is only the first of the "specialty discount businesses" the Troy, Mich.-based discounter is planning to launch by the end of the decade. Samuel Leftwich, president of K mart, explains that the chain's plan is to expand its specialty offerings in markets stretching from Philadelphia to California.

K mart will continue to locate its stores in diversified markets, from suburban strip specialty centers to inner-city restorations. ■

BIG BUILDERS/J. C. PENNEY

1983 assignment: Reposition

There are big changes under way at J. C. Penney and they are reflected in the company's 1983 capital expenditures budget of $395 million, up approximately 38% from the $295 million it spent in the fiscal year ended Jan. 31, 1983.

J. C. Penney is a company with a mission. It is out to reposition all of its full-line units into a nationally recognized chain of department stores (*Chain Store Age Executive*, September 1983). To carry this out, the chain has embarked on a massive remodeling program. Much of the 1983 increase in capital expenditures is being devoted to this program.

In total, approximately $1 billion has been budgeted by the company to be spent over a five-year period (beginning with 1983) on the remodeling of the company's older units to install the new merchandising concepts.

Meanwhile, though, J. C. Penney is also continuing to add new stores, although feeling constrained somewhat by the overall slowdown in shopping center construction.

By year-end it will have opened a total of 19 new department stores and 11 soft line stores, along with 10 new Thrift Drug and Treasury Drug units. This compares with 1982 when the company added 20 department stores and one soft line store, along with 15 geographic stores and 37 drug stores (20 of which were acquired).

Embarking on a mission

	1983	1982
Stores in operation at end of calendar year	2,418*	[illegible]
Total stores added in calendar year	40	73
Square footage added in calendar year	[illegible]	[illegible]
No. of stores closed	N.A.	N.A.
Total capital expenditures	$395 mil.	$287 mil.

N.A.—Not Available
*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Penney has budgeted approximately $1 billion to be spent over a five-year period

The big question for J. C. Penney remains, how well and how quickly can it refine its new store prototype? It is already experimenting in Atlanta, in Tampa and now on Long Island. Only time will tell the results. ■

Spectacular growth continues

Toys "R" Us plans to increase its toy square footage by about 18% each year.

Toys "R" Us' capital expenditures look like building blocks: in 1982 they were $75 million; in 1983 they went to $90 million, and for 1984 the projected capital expenditures budget is mounting to $120 million. The specialty toy store chain is adding over 1 million sq. ft. a year now—1.1 million in 1983 and a projected 1.3 million in 1984. Its store total is 149, operating in 21 states.

Such rapid growth is grounded on spectacular revenues. Sales for fiscal 1983 passed the $1 billion mark from $783 million the year before, with a net earnings gain of 31% to $64 million.

Toys "R" Us has also launched a new division, Kids "R" Us, an off-price, brand-name chain of children's clothing stores which already shows strong signs of following its parent's success. Two 21,000-sq.-ft. stores opened this year in Hackensack, N.J., and Brooklyn, N.Y., and are performing extremely well by all accounts, signaling rapid growth to come in the division.

The Toys "R" Us chain will also move into the international market, with its first group of stores scheduled to open in Toronto, Canada, in the fall of 1984. Through an agreement with Alghanim Industries, the company also will help launch a toy store in Kuwait this fall.

Toys "R" Us says it plans to continue increasing its toy store square footage by about 18% each year by expanding in its existing markets. These range from a major California market presence along with stores in Washington and Oregon, down to Florida, Louisiana and Texas and up through Oklahoma, Indiana, Illinois, Michigan, Wisconsin and Ohio.

However, Toys "R" Us says it also intends to enter a new geographic region each year. In 1982, the company opened five stores in a new market in southeastern Florida, and in 1983 the firm expanded into Georgia, Alabama and parts of Tennessee. For 1984, Toys "R" Us plans to move into southern Ohio and parts of Kentucky and Indiana.

Store growth in calendar 1982 came to 24, followed by 25 new units in 1983. Square footage rose by 1,032,000 in 1982 and is rising by 1,100,000 in 1983. ■

Stacking the building blocks

	1983	1982
Stores in operation at end of calendar year	149	124
Total stores added in calendar year	25	24
Square footage added in calendar year	1,100,000	1,000,000
No. of stores closed	0	0
Total capital expenditures	$90 mil.	$75 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Strong performance seen from Front Row seats

U.S. Shoe is now heavily—but happily—committed to the off-price concept.

By early fall, two Front Row stores had opened in Chicago and three in Houston, "the second biggest thing to blow in" that city this year, according to Anthony Derck, president of men's specialty retailing.

The company has confirmed its plans to open 880,000 sq. ft. of space devoted to "strong value" retailing in time for the Christmas season, including 22 Home Front stores, its off-price, home textiles operation acquired last year as Merchants Linen Warehouse.

Philip G. Barach, ceo, says he expects sales from the 50,000 sq. ft. to 70,000 sq. ft. Front Row "soft goods supermarkets" to grow anywhere from $200 million to $500 million annually.

The off-price stores, which sell branded apparel 20% to 50% off regular retail price, are "fertile but untilled" ground, Barach says. "They are the single biggest piece of dynamite we have."

Sales from the company's group of off-price stores, including the T. H. Mandy women's apparel chain which is opening five stores this year, are expected to double to $400 million from their current $200 million mark.

But Barach adds that during 1983 he has also become "much more optimistic" about enclosed mall retailing and expects a 9% to 12% growth rate there for the next few years, de-

Betting on off-price bonanza

	1983	1982
Stores in operation at end of calendar year	1,130	[illegible]
Total stores added in calendar year	156	180
Square footage added in calendar year	1,000,000*	1,120,000
No. of stores closed	12*	16
Total capital expenditures	$61 mil.*	$63 mil.

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

spite its maturity. Casual Corner, the company's largest specialty chain at 534 stores, is adding a net 18 stores this year and remodeled 50 more. Barach says the chain can grow by an additional 50 stores a year over the next two years.

Ups 'n Downs, another enclosed mall chain aimed at the junior between 16 and 20, is expanding by 38 stores in 1983 to 139 stores by year-end. U.S. Shoe believes it is "probably the strongest junior chain in the market today."

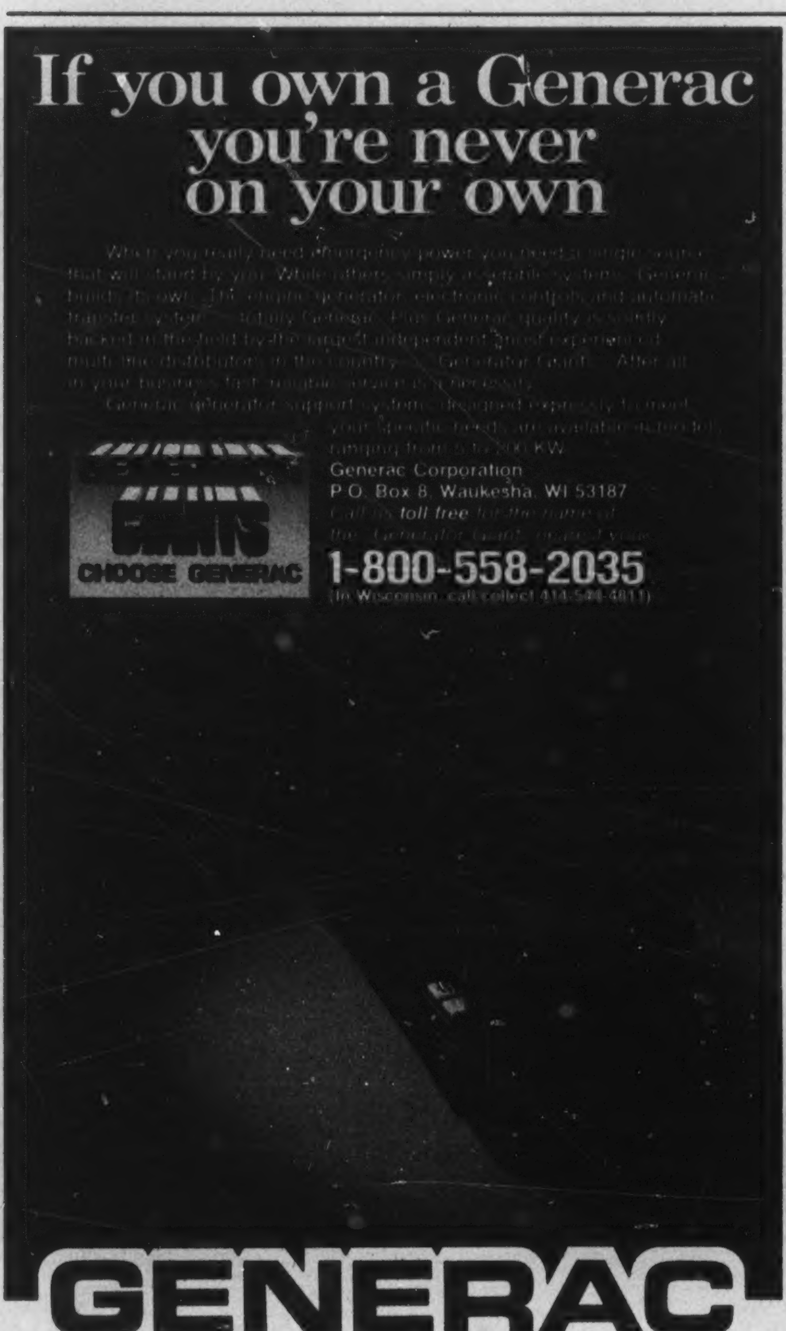
Caren Charles, a 29-store chain focused on the middle-aged market, will add 22 to 45 new stores, the company says. And Petite Sophisticates, the latest of these specialty chains, started up this year with 13 stores now open. Already it is reporting sales surpassing $300 per square foot, according to Barach.

Along with August Max, Barach says he expects these five divisions to add 120 stores in 1984.

Another new specialty chain, 9 to 5, aims at the career-woman market. These stores sell only Casual Corner clothing, but are able to move into malls where lease restrictions hamper Casual Corner expansion (because of close proximity to existing Casual Corner units). The company says it plans to add 15 of these stores during 1984.

Other 1984 net openings include three J. Riggings menswear stores for a total of 187; one Proving Ground menswear store for a total of 51 and eight Little Folks stores for a total of 15.

In all, by year-end U.S. Shoe will have opened 195 stores, 155 in enclosed malls and 40 in freestanding strip centers. The total number of stores expected to be in operation by the end of the year is 1,139. ■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BIG BUILDERS/REVCO

Activity up after previous slowdown

Revco Drug Stores is accelerating store openings in the fiscal year which began in June after a slowdown last year. Revco says it is seeing a rekindling of activity by shopping center developers and also will be expanding its program to locate and develop new sites.

In fiscal 1983, Revco opened or acquired 74 stores and closed six, bringing its year-end total to 1,661. For 1984, the drug chain has set a target of 120 new stores, excluding acquisitions.

Store remodelings and relocations, which totalled 184 in 1983, will continue at a fast pace, according to the company. Some 200 remodelings are planned, and another 20 stores will be enlarged or relocated.

Capital spending of $48 million is budgeted for this current fiscal year, with $27 million allocated for new stores, remodelings and store systems, including pharmacy computers and electronic cash registers. ■

A little cautiousness prevails

	1983*	1982*
Stores in operation at end of fiscal year	1,661	1,587
Total stores added	74	N.A.
Square footage added	779,000	622,000
No. of stores closed	6	N.A.
Total capital expenditures	$29 mill.	$42 mill.

*Figures are for the fiscal year ending in May
N.A.—Not Available
Source: Chain data and *Chain Store Age Executive* estimates

Space productivity keys 11.4% expenditures cut

This year May Department Stores is proceeding almost right on target with its capital expenditures program, utilizing a budget of $140 million, or 11.4% less than the $158 million spent in the prior fiscal year.

Relative to the company's 11 department store divisions, in August the corporation opened three stores, or an additional 390,000 sq. ft. of selling space. During 1982, four new department stores, representing 529,000 sq. ft. of selling space, were opened.

The seven department stores built during the past two years are part of May Department Stores' already announced 1982-86 expansion program. This is aimed at adding a total of 23 department stores, equivalent to 3 million sq. ft. of retail space. The program is expected to carry a total price tag of approximately $400 million.

This figure includes $200 million to be spent on major renovations, remodels and space reductions of the company's department stores over this same five-year period.

Like other department store companies, May is focusing this effort on maximizing the return from the most profitable merchandising areas and upping the productivity of what is currently judged to be under-utilized space.

Proceeding on target

	1983	1982
Stores in operation at end of calendar year	1,585	1,468
Total stores added in calendar year	117	197
Square footage added in calendar year	1,175,000	1,261,000
No. of stores closed	0	0
Total capital expenditures	$140 mil.	$158.8 mil.

Source: Chain data and *Chain Store Age Executive* estimates

In addition, it is continuing the program of space reduction, which first got under way with the leasing of space in the May Co.'s downtown Cleveland store (plus the sale of 100,000 sq. ft.), and in Hecht's downtown Baltimore store. This year these moves have been followed by space reductions in G. Fox's downtown Hartford, Conn., store and the M. O'Neil's downtown Akron, Ohio, store. Combined these total approximately 800,000 sq. ft.

May's biggest changes in expansion plans this year are occurring at Venture, its quality discount store division.

During 1982, Venture opened three stores in the Chicago area, each approximately 100,000 sq. ft., which marked the first new stores opened by the division in three years. Combined sales there have far exceeded original targets.

Based on the 1982 performance figures, this year Venture announced an accelerated expansion plan of 40% of existing store space for the 1983-85 period. This calls for adding a total of 19 stores: four new units this year, eight in 1984 and seven in 1985.

Venture's openings this year include the chain's first major entry into Oklahoma City with two stores and its entry into the Springfield, Ill., market (the fourth store opened in Midwest City, Okla.). As the expansion continues, Venture's management expects that activity will be concentrated within a 500-mile radius of existing major markets.

Capital expenditures of approximately $23 million, including lease equivalents of $8 million were allocated for Venture's 1983 expansion.

The majority of the Volume Shoe stores being opened this year are in approximately 30 areas which the company views as its priority markets. These are located in the West, Southwest, Great Lakes and Gulf Coast regions.

Approximately $37 million in capital is involved in Volume's 1983 store expansion program. For 1984-86, an addition of about 130 new stores is planned for each year.

In total, the corporation's capital expenditures plan for 1982-86 calls for more than $1 billion. ■

BIG BUILDERS/LUCKY

Increases store count by 140

Lucky Stores, a chain that went through a transition in 1982, plans to add 140 units and raise its store count to 1,730 by the end of this year.

In 1982, it sold 156 stores and closed 43 outmoded or unprofitable units, while adding 213 stores for a net growth of 14.

Square footage in 1983 is expected to grow by 1.8 million gross square feet and by almost 2 million gross square feet in 1984. Selling space added in 1983 is projected to be 1.2 million sq. ft. with an additional 1.9 million sq. ft. scheduled for 1984.

Capital expenditures are expected to be $140 million this year, compared with $138 million in 1982. Of this year's capital expenditures budget, Lucky earmarked some $135 million for fixtures and equipment, with plans to remodel 44 food and department stores in addition to expenditures on store openings.

Last year, $107 million of the expenditures were spent on fixtures in stores and support facilities. Part of the money was earmaked for major remodeling or expansion of 41 stores. Front-end checkstand scanners were increased in 1982 to 161 from 95 in 1981 in food stores.

Last year, Lucky reorganized its automotive and Checker divisions into a single unit, operating 400 retail automotive parts and accessory stores. Company officials report that automotive is projected to be the chain's fastest growing division.

Lucky currently has eight divisions and one subsidiary operating in 29 states, including food, departme
and specialty stores.

Emerging from transition

	1983	1982
Stores in operation at end of calendar year	1,730	[illegible]
Total stores added in calendar year	140	213
Square footage added in calendar year	1,827,000	2,529,000
No. of stores closed	0	199
Total capital expenditures	[illegible] mil.	$138 mil.

Source: Chain data and [illegible] Age Executive estimates

BIG BUILDERS/**ASSOCIATED DRY GOODS**

Projected figures up 7.6%

This year Associated Dry Goods is doing a little bit of everything. It is selling off a small department store division while it is expanding other divisions. It is opening a significant number of new discount stores, including market penetration in the lucrative Long Island market. It has even entered the off-price retailing field with its acquisition of the 62-unit Loehmann's operation.

To carry out these activities (excluding the Loehmann's purchase), the company is investing a total capital expenditures budget of $85 million, up 7.6% from the $78.8 million it spent during the previous fiscal year. It will be adding approximately 1.6 million gross square feet (exclusive of Loehmann's and expansion plans for that division), up 73% from the 917,000 gross square feet added the previous fiscal year.

It comes as no surprise then that during 1982 the company opened its second of four planned Lord & Taylor units in the southern Florida market. It also opened a Lord & Taylor in Connecticut.

In addition, this year it opened a unit of The Denver and in 1982 opened units in the L. S. Ayres, Goldwaters and Sibley, Lindsay & Curr divisions (two of which are aimed primarily at the middle of the market).

Earlier this year it announced the sale of The Diamond, a small division consisting of two stores in West Virginia. Although the division itself was profitable, the company felt its market growth was too limited to meet corporate goals.

Trying a bit of everything

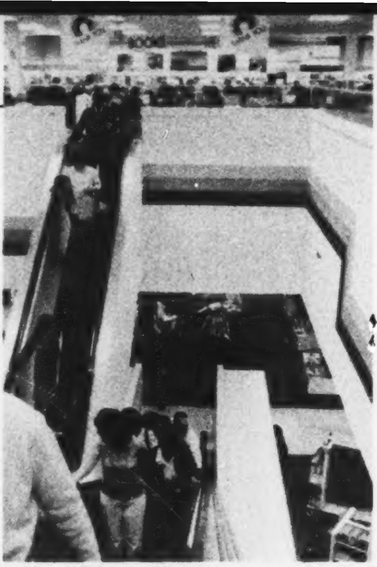
	1983	1982
Stores in operation at end of calendar year	324[1]	247
Total stores added in calendar year	77	18
Square footage added in calendar year	1,587,000[2]	917,000
No. of stores closed	4	5[3]
Total capital expenditures	$85 mil.	$78.8 mil.

[1] Includes 1983 acquisition of Loehmann's

[2] Does not reflect Loehmann's contribution to corporation's total gross square footage additions, nor that division's 1983 expansion program.

[3] Reflects closing of Stewart & Co. department store division where the units have now been converted to Caldors.

Source: *Chain data and Chain Store Age Executive estimates*



Caldor will have added 10 new stores by fiscal year-end.

In addition, during last year ADG made the decision to discontinue the operation of its unprofitable Stewart & Co. division, located in Baltimore. Over a period of 18 months, the five stores, or 785,000 sq. ft. of the Stewart space, are being converted to Caldor stores. The first of these opened in Golden Ring, Md., in June and two more will be opening this month.

Management looks upon this move as an opportunity which "opens up to Caldor the entire Baltimore-Washington market area which we believe is ideal for quality discount department store operations." ■

BIG BUILDERS/**ZAYRE**

Off-price snares hefty portion

The real muscle in Zayre's $72 million capital expenditures budget this year is being devoted to its off-price specialty divisions, T. J. Maxx and Hit or Miss.

The capital expenditures program is up 13% over 1982, and the net square footage added in 1983 will increase 233% over the year before.

In the Zayre self-service discount chain, the T. J. Maxx and Hit or Miss off-price specialty chains, the corporation is adding 2 million net square feet in 1983.

That net increase represents 119 ribbon cuttings, the bulk of which will occur in the Hit or Miss chain. Hit or Miss started 1983 with 267 units and will complete 75 new openings before the year ends.

Store closings have slowed to a crawl from 40 in 1982 to about 15 in 1983. In order to expand T. J. Maxx to 35% more stores than the chain had in operation in 1982, Zayre first made sure that distribution capacity for the complex merchandising operation was up to par. Having exhausted the capacity of the 450,000-sq.-ft. Framingham, Mass., facility, a new highly mechanized state-of-the-art 300,000-sq.-ft. distribution center was opened in Worcester, Mass., in the fall of 1982.

T. J. Maxx will open 300 new locations in 1983, up from 22 in 1982. Traditionally located in suburban strip shopping centers, T. J. Maxx is shifting gears and positioning stores in new shopping centers built around the off-price concept. In addition, T. J. Maxx is reaching westward with stores in Colorado and Texas.

Hit or Miss closed 40 stores in 1982, but this year will only close about 10. The placement strategy for this year's new stores will emphasize regional malls, locations in downtown areas, high-income suburban strip centers and some off-price malls.

Zayre's largest business remains its high-volume discount stores. The area of all Zayre discount department stores is about 19 million gross square feet, with the typical store averaging 71,000 sq. ft.

Zayre plans to open 12 stores in 1983 and close three. The stores will continue to be clustered in the Eastern half of the country. ■

Specialty gets the muscle

	1983	1982
Stores in operation at end of calendar year	745	617
Total stores added in calendar year	119	62
Square footage added in calendar year	1,992,000	1,200,000
No. of stores closed	15	40
Total capital expenditures	$81.7 mil.	$72 mil.

Source: *Chain data and Chain Store Age Executive estimates*

Budget boost to benefit Bradlees

Stop & Shop is jacking up its capital expenditures a whopping 81% to $125 million this year while the top Big Builders increased capital expenditures budgets by only 7.5% in total. And the corporation is not buying ready-mades on this shopping spree, but rather recycling closed discount stores.

Bradlees, the corporation's discounter arm, is doing most of the expanding planned at Stop & Shop. Bradlees, which had 106 units at the beginning of this year, is adding 21 stores, while the total number of stores opened by the corporation this year is 37.

The discounter has been undergoing this expansion with correspondent sales increases. In fact, over the past four years the chain has doubled its sales volume from $540.1 million in 1980 to a predicted level of at least $1 billion in 1983. The chain topped $1 billion with an 86% sales increase, which was accomplished with a 53% increase in the chain's store network. Bradlees had just 83 units four years ago.

Recycles take the lead

	1983	1982
Stores in operation at end of calendar year	419	401
Total stores added in calendar year	37	34
Square footage added in calendar year	1,467,000	2,000,000
No. of stores closed	18	12
Total capital expenditures	$125 mil.	$69 mil.

Source: Chain data and *Chain Store Age Executive* estimates

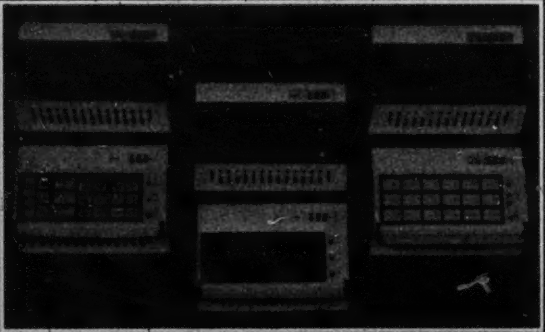
Expansion through space acquisition has been the game plan this year as Bradlees added 13 former Memco store sites and one planned Memco site to its recycled-space roster. Most of these new stores are in the Washington, D.C. area (11), two are in suburban Baltimore, and one is in Richmond, Va. It is estimated that this portion of the expansion cost $100 million.

Bradlees has recycled other closed discount stores this year: a former Two Guys in East Hanover, N.J., a closed Kings in Guilford, Conn., and former Woolcos in Richmond and Virginia Beach, Va., and Nashua, N.H.

Bradlees has three additional openings slated for the remainder of this year in Virginia, Connecticut and Maryland.

In order to serve this expanded store base, which took the first great leap in 1982 with the recycling of 11 ex-Two Guys in New Jersey and five other ex-discounters, Bradlees opened a 400,000-sq.-ft. distribution facility in a former Knickerbocker Toy warehouse in the Raritan Industrial Park in Edison, N.J.

Stop & Shop is also solidifying plans to expand its new superstore prototype for its supermarket chain. These stores, most of which are open 24 hours a day, represent a new generation of supermarkets. ■



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Building momentum slows

Jack Eckerd Corp. added 117 stores in the fiscal year ended July 30, down from a net increase of 168 units in the prior year. At year-end, the Florida-based Eckerd operated 1,806 drug, department and specialty stores.

Eckerd attributed the slower pace to a slowdown of shopping center growth.

In fiscal 1983, Eckerd added 87 stores in its main drug operation, bringing the total to 1,325, and opened 17 Video Concept stores in its American Home Video operations, bringing that total to 179. The chain also added six stores to its 49 JByrons junior department store chain and seven stores to the Eckerd's Apparel casual wear stores, now totaling 94 units. Eckerd also operates 158 Optical Centers.

Eckerd's new drug stores are designed from a prototype developed in 1982 aimed at "making shopping easier and quicker for customers," according to the company. The new stores have different merchandise presentations, a new blue and white logo that incorporates the prescription symbol, new signs and new equipment. The "best elements" of the prototype will also go into all remodels.

Slowdown in retrenchment

	1983*	1982*
Stores in operation at end of fiscal year	1,786	1,689
Total stores added	117	211
Square footage added	1,036,000	1,600,000
No. of stores closed	N.A.	N.A.
Total capital expenditures	$60.9 mil.	$55.6 mil.

*Figures are for fiscal year ended June 30
N.A.—Not Available
Source: Chain data and *Chain Store Age Executive* estimates

After venturing into the home health care market with three Med-Care stores in 1982, Eckerd has taken the idea to 10 stores this year. These are freestanding units providing health care products for sale and rent.

To boost productivity and sales in its prescription business, Eckerd also introduced Healthline, a computerized telephone answering service for consumers who have questions about over-the-counter medicines. The idea is still being tested in two Florida markets.

The average square footage in Eckerd's drug stores is 8,600 sq. ft.; JByron's average size is 40,000 sq. ft.; American Home Video stores average 2,000 sq. ft.; Eckerd's Apparels are about 2,000 sq. ft. each, and the Optical Centers are about 700 sq. ft. apiece. ■

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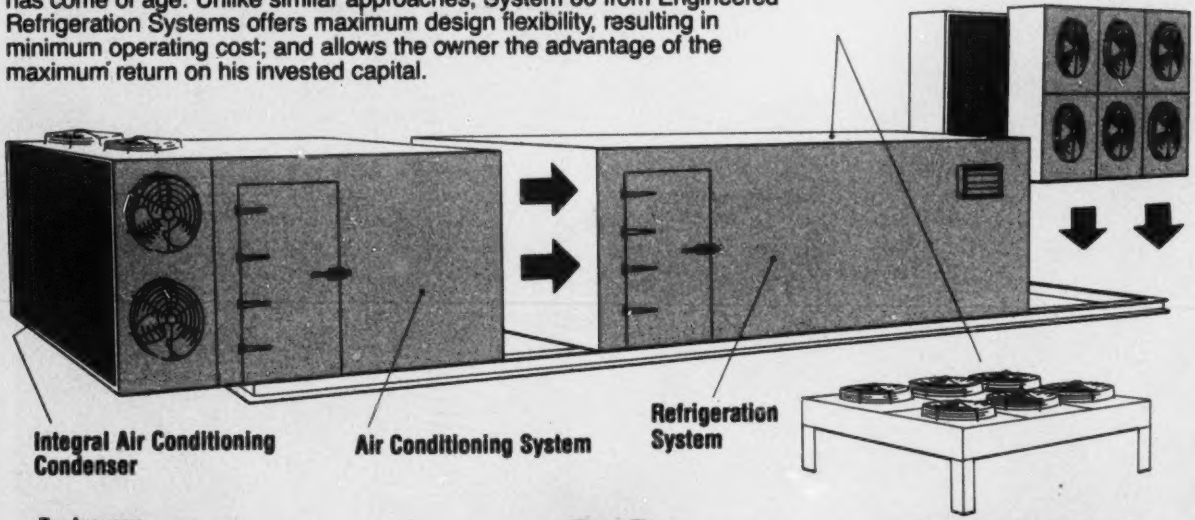

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Plans call for 33 in '83

Albertsons has earmarked $95 million for capital expenditures this year and appears to be keeping on target.

The Boise, Idaho-headquartered chain, which posted nearly $4 billion sales in its 416 stores in 1982, is projecting that it will open 33 new stores by the end of 1983. Last year Albertsons opened 24 new stores.

The company operates 272 conventional supermarkets, 45 superstores, 85 combination food/drug units and 14 special supermarkets called "The Grocery Warehouse" in 17 western and southern states from Washington to Florida. Its supermarkets average approximately 26,000 sq. ft.; superstores, 42,000 sq. ft., and combo units, 54,000 sq. ft.

For Albertsons to reach its goal of doubling sales to over $8 billion in the next five years, its expansion pace is going to be sparked by over $1 billion in capital expenditures. In 1984, Albertsons plans to have $105 million in capital expenditures, to step up its store opening program to 40 to 50 stores each year.

On the fast track

	1983	1982
Stores in operation at end of calendar year	449	416
Total stores added in calendar year	33	24
Square footage added in calendar year	1,000,000	1,100,000
No. of stores closed	N.A.	N.A.
Total capital expenditures	$95 mil.	$82 mil.

N.A. Not Available
Source: Chain data and *Chain Store Age Executive* estimates

While looking for a fast-track expansion pace in the future, Albertsons is not overlooking its existing units. During the past 10 years, over 90% of its stores have been newly built or completely remodeled. During the period, 112 stores were closed. Albertsons has its largest number of stores in California—106—followed by Washington, 61, Florida, 47 and Oregon, 40.

Of the 33 stores being built this year, superstores will account for 27, combination units, 4, grocery warehouses, 2. California will get 10 new units, Colorado and Washington 4 each, followed by Oregon, Florida and Utah, 3 each; North Dakota, 2, and 1 each in Idaho, New Mexico, South Dakota and Texas.

The chain will utilize surplus cash in its capital expenditures program by carrying about half of the new stores as corporate investments. This year Albertsons is also remodeling 122 stores. Last year, 15 stores had major remodels and a full-line distribution center opened in Denver.

Stores built in 1982 averaged 45,500 sq. ft. The 355,000-sq.-ft. distribution center in Denver, which serves stores in Colorado, New Mexico, South Dakota and Wyoming, is the last such facility scheduled to be built until 1987.

The company's emphasis on one-stop shopping is dramatically illustrated by the increase in the average size of retail stores to 33,900 sq. ft. from 30,500 sq. ft. at the beginning of 1980. In the future, Albertsons' plans to build mostly superstores and combination food/drug units. ■

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Investment hits record $110 million level

Supermarkets General decided to go 1982 one better. That year capital investment, including capital leases, was $81 million, the highest level in the company's history. This year it raised that number by almost 36% to $110 million.

As in past years, more than 85% of this amount is being allocated to the Pathmark division, but proportioned to a considerably larger base.

One of the chief reasons for this increase is the confidence of the parent company in the continuing success of the Pathmark Super Center concept. These are larger size stores, typically 50,000 sq. ft. or more. The size of these stores allows for an expanded selection of general merchandise classifications.

As of Jan. 29, 1983, there were 62 Super Centers in operation, including conversions of existing stores and enlargements, which accounted for 57% of Pathmark's total year-end sales of $2.8 billion.

Going 1982 one better

	1983	1982
Stores in operation at end of calendar year	212	192
Total stores added in calendar year	20	19
Square footage added in calendar year	700,000	400,000
No. of stores closed	2	1
Total capital expenditures	$110 mil.	$81 mil.

Source: Chain data and *Chain Store Age Executive* estimates

It is projected that by the end of this year, there will be between 80 and 82 Pathmark Super Centers in operation.

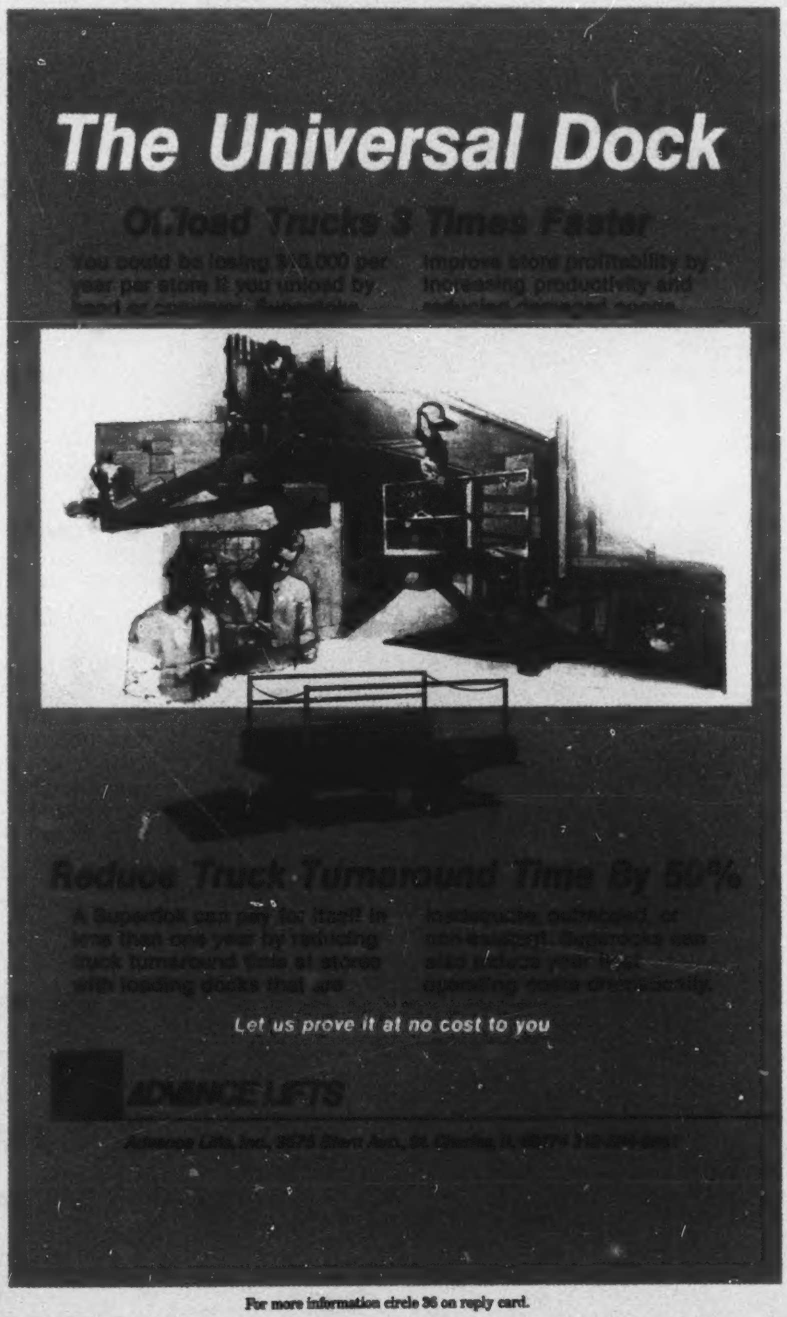
In addition, the space flexibility afforded to the company through the Super Centers is enabling Pathmark to continue with experimentation and development of new merchandising approaches for various product categories. So far these efforts have included the expansion of its Barnes & Noble mini-book stores program; the installation of separate cheese shops in a number of units, and the testing of a nutrition center.

Part of the continuing growth in the Super Centers will come through Pathmark's new store construction program. This calls for approximately 12 stores to be in operation by year-end, all but one of which will be a Super Center. The number of stores being added is up considerably from the average six stores per year opened during the past five years (seven stores were opened last year).

In addition, by year-end 15 to 20 major renovations will have been carried out. Ten of these will involve converting existing units to the Super Center concept.

This building program will result in an addition this year of almost 400,000 sq. ft., or approximately 10% of the division's selling space square footage—its largest absolute increase in any single year.

Supermarkets General also owns two department store divisions, Howland-Steinbach and Hochschild, Kohn. ■



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Electronics make a splash in the typing pool

Results of *Chain Store Age Executive*'s survey show that among the 200 retailers queried, the average expenditure on typewriters is only $6,000

Typing is an office bottleneck. "It's highly manual, and highly inefficient," says Ed Toussaint, manager of market planning for Xerox. "And the more pressure there is, the more demands there are on the typist, the worse it gets."

But it doesn't have to be that way anymore. Examine the cost of a $15,000-a-year secretary who spends half her day typing, who backspaces and counts to center, who makes mistakes and retypes and then reproofs, who hand-types envelopes, forms, checks, labels and index cards. Over five years, her typing time comes to $37,500. For $1,500 to $4,000, an electronic memory typewriter can perform these functions automatically for a minimal lifespan of five years.

Add the cost of inefficiency and the payback is obvious. "Take a look at your most important documents—letters, leases, contracts—and look at the trouble you have getting them out. Is it taking an hour or a day?" Toussaint asks. "Moving paper faster—getting it out the door—that's the competitive edge and the payback that justifies it [an electronic typewriter]."

Yet by their own admission, retailers often drag their feet when it comes to improving office operations. James Germano, purchasing agent for McCurdy & Co. department stores, concedes: "I can see automation coming, but I think retailers will be one of the last to get into that because of the tight cost structure. Frankly, a retail operation has to put its best foot forward on the sales floor, and the backroom and office activities probably suffer because of that."

Indeed, a special survey by *Chain Store Age Executive* shows that retail expenditures on electronic typewriters averaged only $6,000 each among the top 200 chains surveyed.

The highest expenditures come from the specialty chains with $9,000, followed by department stores with $7,400. Consistent with the survey of copier and communications system expenditures, the drug chains make the least investment in automated office equipment, followed closely by the discount chains. For electronic typewriters, drug and discount chains spend an average of $3,700 and $3,600 respectively.

Almost three-fourths of the chains surveyed felt their expenditures for electronic typewriters would fall. Fewer than 2 in 10 foresee an increase in outlays. Again, drug chains show a marked tendency toward decreasing their relatively low expenditures, with 92% predicting falling outlays in the coming year, compared with 72% of the supermarket chains, 71% of the discount chains, 63% of the department store group and 62% of the specialty chains.

The survey also shows that while retail executives know of at least 10 typewriter manufacturers, IBM still carries nearly 80% of the retail market surveyed. IBM's major strongholds are within the supermarket and specialty chains, taking 92% and 88% of those markets, compared with 63% of the department store group.

Awareness of typewriter brands is less concentrated, but not by much. Almost 85% of the retail executives mentioned IBM, followed by 24% mentioning Olivetti, 18% noting Xerox and 15% Royal. Less than 10% mentioned Olympia, Smith-Corona, Remington, Silver Reed America, Cannon and Brother International. A significantly higher proportion of de-

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This is the third of a five-part series on how retailers use automated office equipment to maximize the efficiency of running their businesses.

The November issue concerns itself with electronic typewriters. September dealt with copiers, and October's feature was concerned with telecommunications. In subsequent issues we will examine desktop computers and word processors.

The surveys were conducted by the Lebhar-Friedman research department exclusively for Chain Store Age Executive.

Keys to considering keyboards

In choosing among the major vendors of electronic typewriters, retailers should keep several things in mind:

- Don't get caught in the feature-counting trap. Studies show that only five or six basic features handle the bulk of typewriter use; others serve mainly to clutter the keyboard.
- Look at the quality of the printed page.
- Make certain the machine is easy to use. Commands should be in English, computer codes should be avoided and command procedures should be consistent among features.
- Understand where the technology breaks are and find the level that fits your needs. Do you want limited or unlimited storage? Do you want editing capability and to what degree? Perhaps most important, can the machine be upgraded?
- Buy a machine that can act as a printer and keyboard for a computer. The automated office must have compatibility among its components.

partment chains (33%) than drug chains (4%) mentioned Xerox.

The electronic typewriter today costs from $1,500 for an IBM 65 to under $4,000 for the high-end Olivetti ETV 300 with a video screen and external disk storage. Olivetti's Jean Ferrel notes that the $10,000 machine of five years ago sells for "half or even a third of that today."

Vendors agree that prices are still falling, but not as dramatically. The cost of the typewriter's electronic parts has already become minimal, so that future cost decreases will come from competition and automated production.

The electronic typewriter is best suited for the decentralized secretarial post that turns out 10 to 15 typed pages a day with word, sentence and paragraph revisions. It is also highly efficient in areas with repetitious letters and multipart forms, but that still need to handle a lot of the variety and the individual functions of a regular typewriter.

The purchasing agent of a very large supermarket chain who bought the Xerox Memorywriter 620 uses it in areas "with a heavy volume of repetitive typing, particularly where we would not have hundreds of copies, but six or eight copies of something, where the original must be edited, and where we need a letter-quality reproduction." He adds that the machine has boosted productivity "tremendously" where volume and print quality can't justify word processing.

On the higher-end typewriters such as the Olivetti ETV 300, the distinction between typing and word processing does become blurred. The fundamental difference between the two is in memory capacity and software complexity. Word processors usually have a 300- to 500-page storage vs. a 5,000 to 35,000 character capacity in the typewriters, although many brands can add unlimited outside storage.

Word processors are two or three times faster, but also much noisier. They can handle extremely complex typing jobs, such as accounting sheets, but they cannot do simple typing. They cost from two to three times as much as an electronic typewriter, take far more room and require steady, centralized use to reach optimum efficiency.

Ed Kroll, purchasing manager for Albertsons' Southco, a supermarket chain, bought an IBM electronic typewriter with a video screen and disk storage for contracts, where the work is repetitive, but requires high quality printing.

McCurdy's Germano believes an electronic typewriter in the credit department for a cost "in the neighborhood of $2,000, could cut back two full-time typists to one part-time typist" for repetitive letters that require only a change of name and address. He also sees a possible use in the advertising department.

Service takes a universally high priority among retailers choosing machines. Warren Wilson, director of purchasing for McRae's department stores, says he "established IBM a number of years ago as the only typewriter we will buy, based on exhaustive trial and error. The others have been in the trash bins for years, while the IBMs are still plugging along."

The decision to buy finally rests on efficiency and cost. Says Xerox's Toussaint, "Office costs are just as real as the cost of the products a retailer sells. I hate to use sports analogies, but the production of typed materials is the blocking and tackling—the grist of business. We've already got the computer side under control. Now we have to look at the personal side of productivity." Breaking the typing bottleneck may be one way of doing that. —C.L.

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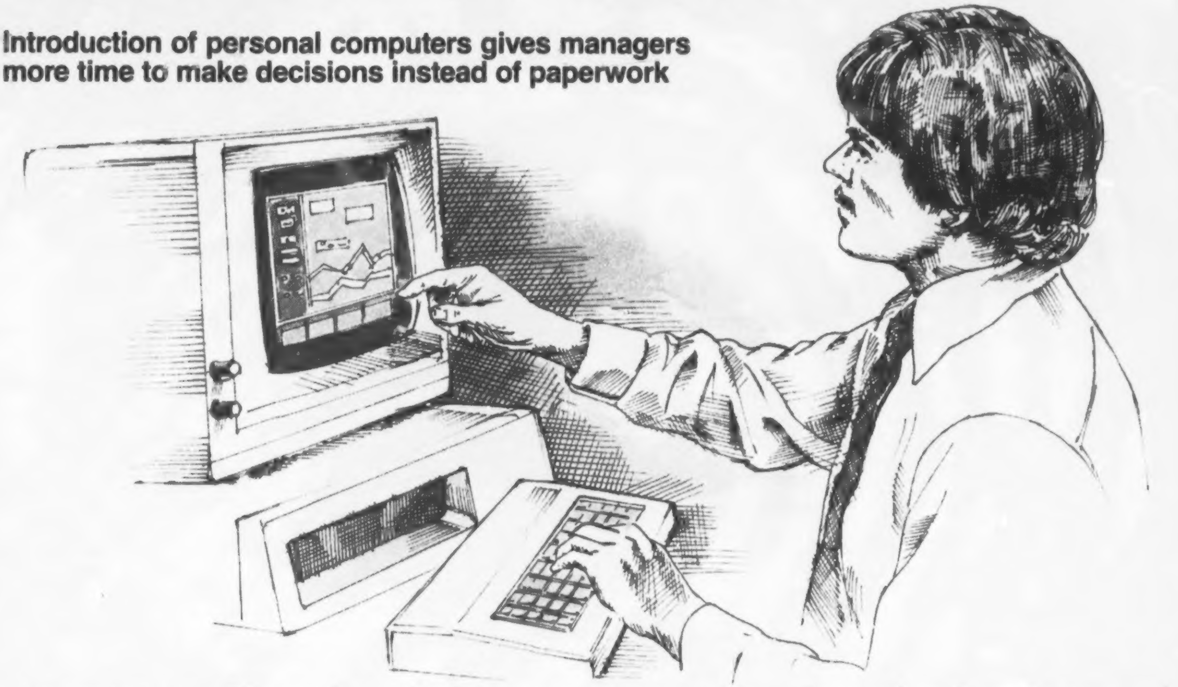
Management's desktop PCs keep execs on top of business

Introduction of personal computers gives managers more time to make decisions instead of paperwork



Automation is out of the trenches. Executives in the retail command posts are discovering that the personal computer, or PC, can increase their own productivity by flushing out bottlenecks at the decision level.

"Throughout the whole ordering, purchasing and decision-making process, the key to desktop computing in retail is putting tools in the hands of managers that will give them access to timely information," says David Dell, director of research for the Diebold Group, a New York consulting firm.

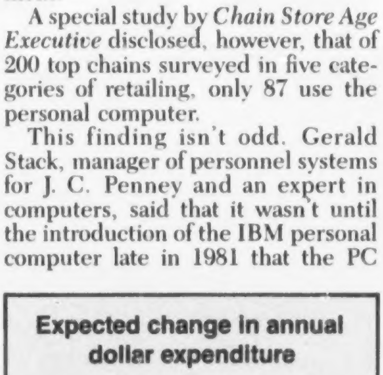
The efficiency concern is a competitive one: retailers agree that they are going to be forced to speed the management information flow to keep up. Norm Cron, controller at Dawahares department stores in Kentucky says, "In retailing, it's of the utmost importance to get information back to buyers as quickly as we can, so that they can make intelligent decisions on reordering. If we sell something today, the buyers must get that information as soon as possible so they can react to it."

Russ Dachel, director of MIS for Co-op Shopping Centers in Wisconsin, a discount chain, believes the personal computer will soon be essential. He predicts, "In the next three to five years, you'll see one of these micros on all your management's desks, especially top management."

A special study by *Chain Store Age Executive* disclosed, however, that of 200 top chains surveyed in five categories of retailing, only 87 use the personal computer.

This finding isn't odd. Gerald Stack, manager of personnel systems for J. C. Penney and an expert in computers, said that it wasn't until the introduction of the IBM personal computer late in 1981 that the PC "was endorsed as a business tool. IBM gave it legitimacy, where before it was a toy or a fad." Many retailers are still concentrating on automating at the point-of-sale or in distribution. But experts now estimate that by 1990, some 10 million PCs will be on the market, and half will be owned by businesses.

Expected change in annual dollar expenditure



Source: Lebhar-Friedman research

The PC is a tool for analysts, those who too often wind up making more paperwork than they do decisions. For them the PC can eliminate the slow, manual tasks—such as writing reports—by finding, analyzing and producing information in seconds, instead of days.

"The PC frees managers to do the things they never had time to do before," explains Stack. "They can do new calculations to explore other concepts. They can do the searching, the investigation, the analysis. The data was there, but you could never take the luxury of searching the files, collecting it and comparing it." Now, the speed and accuracy the PC introduces, observers say, will transform modern business.

For the retailer, the PC can keep track of sales, inventory, accounts payable and receivable, orders, payroll and the general ledger. It can analyze and compare all that data. It can write budgets, form models, do hurdle rates on 20-year projections. It can draw graphs, communicate with a mainframe, with other PCs and with outside data banks. It can store and retrieve, interface with point-of-sale equipment and produce an instant flow of merchandising information.

Take, for example, the midlevel manager who wants to present an idea to the chieftains. With the PC he has "such a vast amount of material he can prepare," says Stack. "And that preparation stops a lot of hip-shooting and gut feels, believe me."

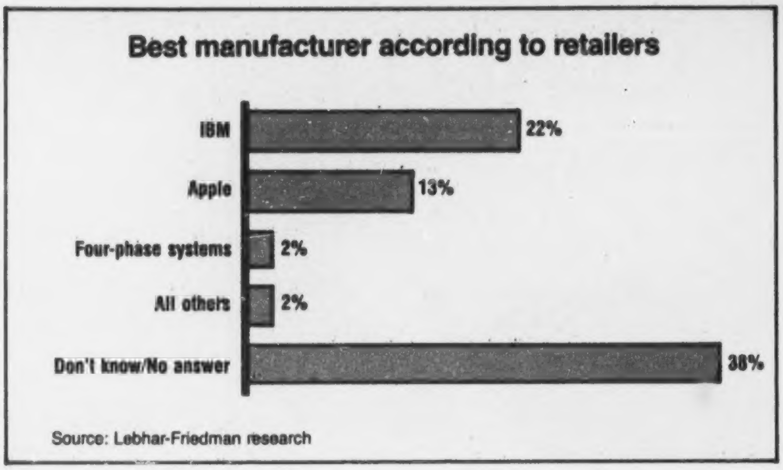
But introducing the PC into a business may not be as simple as salesmen would have it appear. Though Stack cautions retailers not to be afraid of the computer, the process of putting one in a business requires gathering and putting together business information in a coherent format so that the manager can use it. Dell notes that, "In many chain stores, that information is not readily available, and that's no fault of the micros. There's a massive job that needs to be done in providing data bases that will be useful to people."

That, says Dell, "requires a system that will give you timely information and an information system in the company that will back it up. Desktop computing will, of course, help people perform their individual tasks, but as far as their day-to-day work in the company goes, it usually depends on information from somewhere else, and having that available in a rational way is very important."

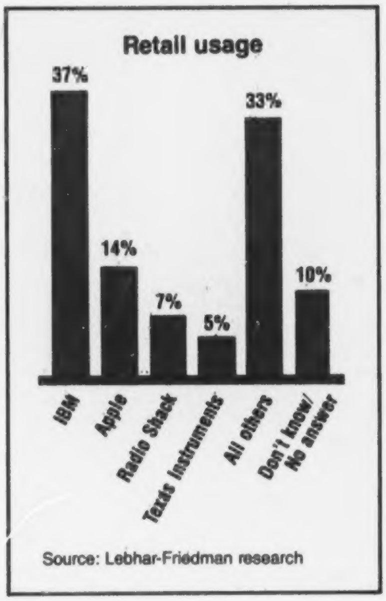
Dell notes that data bases in companies which are conglomerations of acquired chains "don't quite fit together." If one has a manual filing system and the other an electronic one, or if items are called by different numbers, or if billing periods are different, the systems "are very hard to integrate," Dell says.

To accomplish integration, says Dell, requires "substantial work" in two areas. First is the horizontal information flow—making sure that inventory and sales information, for example, goes by the same definition and enters the same data base. This area "is where real productivity gains come from," says Dell, by making the data on which buying decisions are made both available and usable.

The second issue is vertical integration, where the data up on the mainframe gets down to the PC. The PC must connect with the central data base, and once it does, the operator must be able to find, compare and use the data. With more powerful software and with new telecommunications systems that can transmit both voice and data, these connections are becoming easier to make.


Best manufacturer according to retailers

Source: Lebhar-Friedman research


Retail usage

Source: Lebhar-Friedman research

At its most basic level, Penney's Stack says a computer system must have good input of information, good output and good system support from data processing or a mainframe.

The initial step a retailer should take once he decides to computerize is to buy the software. "The first and most important thing to do," says Dawahares' Cron, "is to find programs that will fit your company, and then find a computer that will run those programs. Many corporations buy the computer and then find a set of programs to run on it.

"In our case, buying the software first eliminated most of the internal reorganizing. We were able to adapt the programs to our system, rather than changing everything in our system. You've got to have a set of software that will do what you want it to do. If you don't have that, it doesn't do any good to computerize."

Penny's Stack agrees. "Don't go out and buy the hardware," he says. "Buy the software for the functions you need." And that software must be powerful enough to handle the amount of information a business uses in the way the business uses it. Stack suggests time-sharing before buying to give the uncertain user a chance to acquaint him with various programs and hardware capabilities. He also advocates using "off-the-shelf" software and leaving programming to the specialists.

The decision to computerize management rests, as always, on return on investment, and that return must be calculated on much more than the time a PC can save a manager.

Says Dell, "A buyer with a salary of $40,000 may be responsible for placing $1 million worth of orders a year. You can talk about saving 2% or 5% or 10% of that person's time. But that isn't where the money is. The money is in that million-dollar decision: whether helping that buyer is going to get the company 10% more merchandise or cut the price of that merchandise or reduce the amount of time that merchandise is held. That's the point. The individual who has responsibility for that decision can be much better leveraged by having the right tools and information."

The second point, says Dell, is that "each person should realize that just getting his job done better or a little faster isn't the whole issue. Something else may be riding on what he does. It's a chain reaction, and he might be the bottleneck in a million-dollar decision."

At all levels of management, the personal computer can make tremendous contributions to productivity. Penney's Stack notes that the PC does—quickly and accurately—"all the store level calculations that allow the store manager to do the things he should be doing, but isn't." He predicts that the use of the PC "is just beginning to explode." ■

—Carolyn Lochhead

Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations
January 1984

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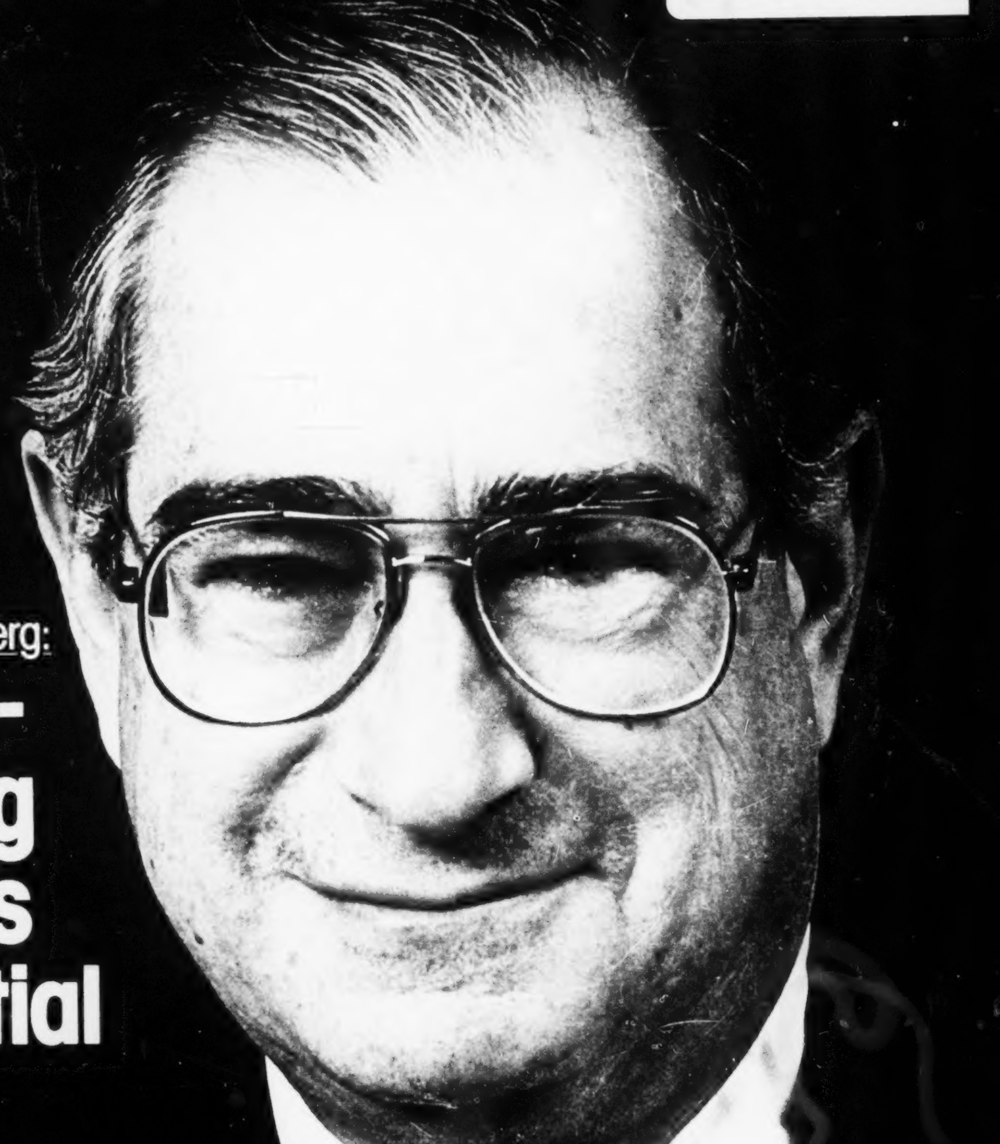

Sumner Feldberg:
Maxx-imizing Zayre's potential

TWENTY DOLLARS A YEAR (USA)

Chain Store Age EXECUTIVE Volume 60, No. 1/January 1984

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Length of time using LIFO method of inventory valuation

	Category				Factors important in LIFO decision			Chain size		
	Department	Discount	Specialty	Drug	BLS	Inflation	Inventory	Up to $90M	$90M to $210M	$211M and over
3 years or less	3%	27%	27%	30%	28%	21%	21%	29%	19%	11%
4-5 years	7	37	27	23	22	25	21	22	12	29
6-8 years	10	3	17	23	13	13	12	18	12	8
9-10 years	23	23	13	13	14	18	18	11	18	28
11-20 years	30	7	3	7	13	12	14	8	23	11
21 plus years	27	3	10	3	8	9	14	9	16	13

Source: Lebhar-Friedman research

LIFO survey shows it's here to stay

Most large-volume department, discount, specialty and drug store chains have been using the LIFO method of inventory accounting on average for approximately 10 years and only a handful are even considering giving it up over the next couple of years.

The LIFO intentions of the chains were disclosed in a survey of 120 major chains (a qualified chain was restricted to the top 100 in volume of each of the aforementioned classes of retailing) by the Research division of Lebhar-Friedman, done exclusively for *Chain Store Age Executive*.

The 120 companies surveyed operated 21,132 units and had a total annual dollar volume of $56.78 billion. The average chain represented in the survey was affiliated with an average of 190 units and reported an annual dollar volume of $521 million.

By chain type, the breakout was as follows:

	Annual volume (millions)	# of units
Discount	$879	128.1
Department	568	17.1
Specialty	319	447.0
Drug	262	192.1

Respondents were asked to indicate how long the LIFO method of inventory had been used in their respective chains. On average, department store chains have a longer history of using LIFO than any other class of retailing. The average for this category is 17 years, even though LIFO was first recognized in the landmark Hutzler Bros. case in a court decision back in 1947.

The span far exceeds the other categories: specialty (9.7 years); discount (6.7), and drug (6.6).

Almost all large-volume ($100 million or more a year) department stores and many discount, specialty and drug chains used the Department Store Inventory Price Indexes established by the Bureau of Labor Statistics as an indication of inflation.

The dominant factor influencing the adoption of LIFO by all retailers is "tax benefits"

These include 20 specific indexes and two overall general ones (*see chart*). It is these indexes that most general merchandise chains use to estimate their LIFO reserves, the amount they set aside for inflation factors.

Some specialty and drug store chains use specific parts of the BLS index or, in conjunction with the IRS, make up their own.

The survey shows that 28% of all respondents cited both the nature of inventory mix and the inflation rate as factors influencing the amount set aside for LIFO. Another 23% cited the BLS index as the influencing factor. The highest single element was the 53% of the drug chains which cited the rate of inflation.

In support of the survey, *Chain Store Age Executive* polled a cross section of retailers to find out what their projections are for LIFO reserves in 1984 and found that most are currently indicating that they think it might be over 5%, based on the BLS, compared with between 3.9% and 5% in 1983.

However, many financial officers of these same chains are already waffling and are indicating that they think the 5% estimate may be too high and that by the end of the first or second quarter, they may revise their estimates downward (*see story on the economic forecast in this issue*).

Department and discount stores generally are projecting a 5% rise in their LIFO reserves based on their guesses of the BLS index for 1984. Among drug chains, the estimated LIFO reserve projections run as high as 6% at some chains, although one large chain estimates that the 1984 rate will be less than the 4% it had in 1983. A number of specialty chains, especially apparel, say they do not use LIFO reserves because it doesn't pay them to add back the markdowns at the end of the year.

LIFO is an acronym for last-in, first-out, as contrasted to FIFO (first-in, first-out).

Under LIFO—the last-in, first-out method of inventory valuation—recent acquisition costs are used to price inventory (even though in actuality, the inventory bought last is not sold first).

Therefore, a conversion to LIFO will result in tax savings, especially in a rising market. It also will improve cash flow.

For conversion to LIFO to be advantageous, conditions must include high inflation: a level of markdowns that does not exceed the benefits of inflation, and rising inventory costs.

Most financial experts note that at best forecasting the amount put aside for LIFO reserves is an inexact science. Because there are so many indexes in the BLS, there could be inflation in some, deflation in others and no change in still others. In addition, some chains add back markdowns at the end of the year, and some (mostly specialty stores) often do not.

According to the survey, 57% of all the chains (60% of department stores, 63% of discount stores, 47% of specialty stores and 57% of drug stores) said that the circumstances which led to the adoption of LIFO methods were tax benefits. This includes deferral or reduction of taxes, and increases in cash flow and working capital.

Also, 46% of the total mentioned the high rate of inflation. The most significant mention of inflation was by drug chains (60%).

Although "tax benefits" was the dominant factor influencing the adoption of LIFO in all classes of trade, differences did exist among respondents with respect to the importance of other factors cited. For example, drug (60%) respondents were more apt to spontaneously mention "high rate of inflation" as a cause for adopting LIFO than were their counterparts: department (43%), discount (43%), specialty (37%).

In addition, a significantly higher proportion of discount (30%) than drug (10%) retailers said that the LIFO method was a more accurate method of accounting allowing for a better reflection of products. Specialty retailers (23% vs. 0% discount), on the other hand, were more inclined to think that LIFO was a better way to control and keep track of inventory.

A significantly higher proportion of discount (17%) than either specialty or drug (0%) retailers mentioned corporate policy as an influential factor in the adoption of LIFO.

When asked to describe the factors influencing the amount set aside for LIFO, the following factors were spontaneously cited by at least two in 10 respondents: Nature of inventory, including mix, growth value (28%), inflation rate (28%), BLS index (23%), calculations based on own or unspecified indexes (20%). Many chains do not carry the wide variety of products used by department stores and either attempt to use one of the 22 BLS indexes or make up their own.

At least one in 10 retailers mentioned reasons which included: tax benefits/financial benefits/more cash (13%), price/costs of products/projected sales (12%), past experience/corporate policies/accountant recommendations (11%).

Factors influencing amount set aside for LIFO
(By category)

	Department	Discount	Specialty	Drug
Nature of inventory/mix, growth value	23%	23%	23%	40%
Inflation	10	20	27	53
BLS	40	33	17	3
Non-BLS indexes	30	17	13	20
Tax benefits	23	10	7	13
Price/costs of products	3	10	13	20
Experience	3	10	17	13

Source: Lebhar-Friedman research

Asked to rate the importance to inflation, inventory levels, BLS or projected sales as factors in setting aside money for LIFO, the retailers attributed the greatest importance to inflation (74%). However, a strong majority also viewed inventory levels (61%) and the BLS (58%) as extremely important factors.

Department stores attributed almost equal importance to inventory level (63%), inflation (60%) and BLS index (57%).

Drug store respondents gave the most importance to inflation (73%) and inventory levels (70%). In contrast, the BLS index was viewed as extremely important by only 40% of the drug chains.

Discount and specialty retailers responded similarly, both attributing the greatest importance to inflation, rated as extremely important by 83% of the discount chains and 80% by the specialty store chains.

The BLS index was also perceived as extremely important by a heavy majority of discount and specialty (both at 67%) respondents, which was significantly higher than the response of the drug chains.

The retail executives were asked if they would consider discontinuing LIFO this year. The response was overwhelmingly negative—95% of the respondents would not consider discontinuing LIFO. Asked about 1985, the retailers were nearly unanimous in expressing a positive response in retaining LIFO. In fact, 98% of the retailers surveyed said that it was extremely likely that their chains would be using LIFO in 1985.

The reason for this attitude was explained by accountants when asked about the results. LIFO reserves continue to build, they say, and if a company discontinues LIFO it would have to pay back what they discontinue. Thus a retail chain in the 50% tax bracket would have to pay back half its reserves. If the accumulative reserves amounted to $50 million, they would have to pay the Government $25 million.

One financial officer points out that if a chain invests its LIFO tax savings prudently, LIFO-based net income can be expected to exceed FIFO-based income in seven to eight years.

The respondents were nearly unanimous in their agreement with the statement: "Over the long term, business will be affected by continuing inflation." Fully 96% of the respondents either agreed strongly or somewhat with the statement.

In addition, 89% said LIFO is a very fair system because it allows a retailer to match up costs of his inventory to the time he sells it, and 87% said LIFO improves cash flow as long as the company continues to grow and expand. ■

Department store inventory price indexes—July 1983

	% change to July 1983 from:	
	January 1983	July 1982
I. Piece goods	2.7	1.8
II. Domestics & draperies	2.8	3.2
III. Women's & children's shoes	−1.2	−2.3
IV. Men's & boys' shoes	1.0	0.1
V. Infants' wear	2.4	4.8
VI. Women's underwear	3.3	3.9
VII. Women's & girls' hosiery	1.0	3.0
VIII. Women's & girls' accessories	1.2	5.0
IX. Women's outerwear & girls' wear	4.2	2.9
X. Men's clothing	2.4	3.8
XI. Men's furnishings	−0.2	2.1
XII. Boys' clothing & furnishings	3.2	3.8
XIII. Jewelry	2.4	2.8
XIV. Notions	1.4	2.7
XV. Toilet articles & drugs	6.4	6.7
XVI. Furniture & bedding	2.2	1.2
XVII. Floor coverings	0.9	1.5
XVIII. Housewares	1.9	2.8
XIX. Major appliances	2.0	1.6
XX. Radio & television	−1.2	−2.7
Groups I-XV: Soft goods	2.5	3.7
Groups XVI-XX: Durable goods	1.8	1.2
Store Total	2.5	3.0

Source: Bureau of Labor Statistics, U.S. Department of Labor

Favorable spending trends are supported by a lessening of inflation, improved employment rates, increases in income and lower interest rates.

1984 FORECAST

Recovery's tempo quickens

Beginning in spring of 1983, consumers returned to the stores causing spending to grow by an estimated 5.5%

As a very welcome change, for the first time this decade, a beginning-of-the-year economic forecast can begin on an upbeat note. The recession is over. The recovery has arrived.

According to many of the nation's leading economists, the good news will continue at least throughout this election year. After that, there's less agreement on what will happen. But that's next year's story. (Economic outlooks for specific retail classifications follow.)

Meanwhile, beginning in early spring of 1983, consumers have been back in the stores, causing real consumer spending to grow last year by an estimated 5.5%. One of the chief causes for this jump was pent-up consumer needs, particularly when it came to durable goods.

Now that many of these demands have been met, this year's rate of increase is expected to slow slightly, to approximately 4%. That's still a nice, healthy jump.

When it comes to GAF sales (general, appliance, furniture), Rosalind Wells, an economist with J. C. Penney, notes that "In 1983, as sales started to accelerate over the first half, GAF sales increased 5% to 6%, and then by 9% in the 3rd and 4th quarters, for an average of 7.5% for the year. The quarterly gains projected for 1984 range from 8% to 9.5% for a full-year average of 8.5%."

This activity is paving the way for what Walter Loeb, senior analyst for the retail trade and a vp of Morgan Stanley, forecasts will turn out to be a 42% average earnings increase among general merchandise retailers for fiscal 1983. For 1984, he predicts that the increase will turn out to be a further 15% to 17%.

This is all extremely good news for the more than 7,000 general merchandise retailers who will be gathering in New York City this month to attend the annual convention of the National Retail Merchants Association (*see related story*).

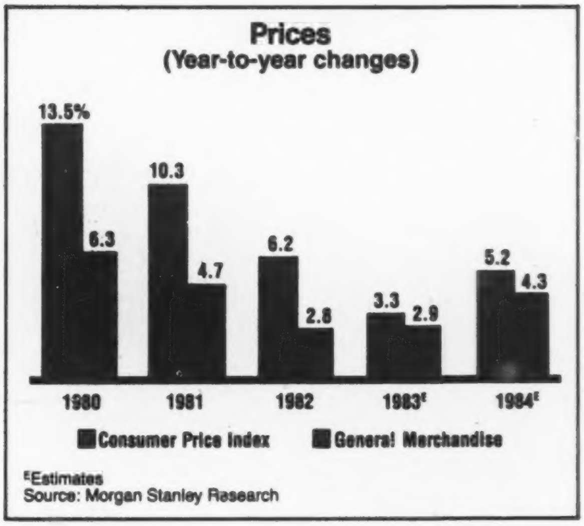
If preseason projections held true, they have come off of what shaped up to be "the best holiday season at least since 1978," forecast Sandra Shaber, director, consumer economics for Chase Econometrics.

Loeb was forecasting Christmas season increases for the general merchandise segment of between 12% to 13%, or 10% in real terms (based on the Consumer Price Index hovering at around 3% during this period.)

Perhaps most surprising in terms of what occurred last year, and what bodes extremely well for this year, is that the recovery happened at all. As Steven Roach, senior economist with Morgan Stanley recalls, when 1983 began, "There was still the question of whether there would be a recovery that year at all, or whether all that we would see would be a sort of limited economic rebound." There is no doubt now, though, according to Roach, that the recovery is well under way, ready, in fact, to lead straight into overall expansion.

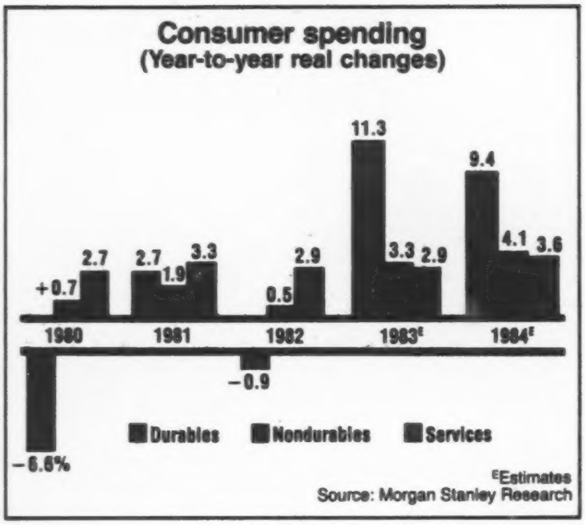
He points out that looking at real GNP numbers, in 1983 there was "a shade less than 5% growth." He expects this to be followed up in 1984 by growth of approximately 6.25%, again on a fourth quarter to fourth quarter basis. Year-over-year, he places GNP growth at 4.3% in 1983 and 5.5% for 1984.

"This means average quarterly increases of 5.5%, which is exactly in line with the average quarterly increase for the first two years of the average recovery period," Roach explains. "The outlook is for normal, cyclical expansion in the United



Prices
(Year-to-year changes)

ᴱEstimates
Source: Morgan Stanley Research



Consumer spending
(Year-to-year real changes)

ᴱEstimates
Source: Morgan Stanley Research

States economy.”

Roach and other economists all agree that consumer spending has definitely been the major force in getting the economy back on track—not surprisingly since this accounts for two-thirds of the nation's total spending.

Chief factors most often cited as having contributed to (and continuing to support) the favorable consumer spending trend include: a lessening of inflation; increases in total household income; improvements in the unemployment rate, and lower interest rates.

The main gauge for the rate of inflation continues to be the Consumer Price Index (CPI) and for most of the year it had been at around 3.5%. But by the end of 1983 it had risen to the vicinity of 5% to 5.5%, according to Rosanne Cahn, an economist at Goldman Sachs. “Over the next year this may move up to 6.5%, but I don't believe that will have much effect on consumer spending and on the recovery itself,” she says.

At Morgan Stanley, Roach is referring to 1984 as a “grace period for inflation.” Measured on a GNP deflation basis, he sees it at 4.5%, rising to 5.25% and then to 5.5% by the end of 1984. “But when it comes to 1985, watch out though,” says Roach, who predicts that the rate will climb back to at least somewhere between 6% and 7%. (Dean Witter Reynolds' economists see the Consumer Price Index on average at 3.26% for 1983, climbing to an average 4.69% for 1984. All economists are allowing considerable leeway for variations.)

Wells at J. C. Penney observes, “because of increases in wages and salaries, plus other factors, the income side is already very positive. With inflation at modest levels, real gains in income are substantial.”

(The prearranged tax cuts, the last on July 1 of last year, helped in boosting real disposable income.)

She points out that upper-income households, in particular, are in good shape, having seen substantial increases in their total net worth over the last year. These stemmed primarily from the strength of the stock market and the bond market. This has meant that “people have been more willing to dip into savings.”

During the late summer and early fall of last year there was, in fact, some concern that the savings rate, which decreased to 4% in the second quarter and then rebounded slightly to 4.7% in the third quarter, may have fallen too far. However, those economists who closely observe consumer spending patterns, maintain that even if consumers should decide to up their savings again, this should not have any serious impact on consumer spending patterns.

According to Shaber of Chase Econometrics, “There is certainly the risk that consumers could retrench again and we are assuming that the personal savings rate will probably edge up. But our forecast calls for a 6.5% increase in disposable personal income in 1984 so that allows for pretty hefty growth even if the personal savings rate edges up to 5%-5.5% this year.”

One major factor affecting consumers' attitudes toward personal savings is a general lessening of fears concerning job security coupled with decreases in the rate of unemployment itself.

Wells points out, “Already there are close to three million people back to work and, as of November, the unemployment rate was down two full points from the high in December of last year. This can't help but make consumers more confident.

While conceding that “I don't think people in general are now as concerned about losing their jobs,” Shaber cautions that “the sharp drop in unemployment of October of last year may have raised some false optimism and I don't think we are going to be seeing anything like 0.5% monthly improvements. The unemployment rate still remains awfully high and this could dampen consumer attitudes and spending.”

Retailers gather in New York

What: National Retail Merchants Association's 73rd Annual Convention and National Retailers Business and Equipment Exposition.
When: Jan. 8-11, 1984
Where: The New York Hilton and Sheraton Centre Hotels, New York City.
Who: More than 10,000 retailers.
Featuring: Nearly 90 sessions covering many aspects of retailing; more than 550 exhibit booths of displays and demonstrations of the latest in retail business equipment and services.
To be honored: NRMA Gold Medalist: Allan R. Johnson, director, BATUS Inc., Louisville, Ky.; former chairman NRMA.
Other award winners: Harry N. Jackson, vp-credit, Dayton Hudson; E. James Stavrakas, director of quality assurance, J. C. Penney; A. Robert Stevenson, vp-government and legal affairs, K mart; Gertrude Strull Kisber, chairman, Kisber's Department Store, Jackson, Tenn.

However, latest figures indicating consumer attitudes and consumer sentiment are "very, very positive," according to Fabian Linden of The Conference Board which carefully monitors such trends.

In addition to concern over the unemployment rate, the other major "risk" remains the interest rate picture. As Shaber observes, "Consumers have become extremely interest rate sensitive in recent years, but more to the direction of interest rate trends, rather than being inhibited by the absolute level."

The spring 1983 declines in the interest rates already helped to revive the ailing housing market. Although housing starts weakened somewhat in September, most predictions call for housing starts (including more multiunits than ever before) to come back to "near normal" level of 1.7 million this year.

A strengthening of the housing market, in turn, has a positive impact on such merchandise classifications as furniture, appliances and home furnishings. At Dean Witter forecasts call for sales of household appliances to climb by approximately 4.7% and sales of home furnishings (both in current dollars) to climb by approximately 5.8% this year. That's in comparison to gains of 5.5% and 7.5%, respectively, in 1983. ■

DISCOUNT

Big ticket items step up pace

Discount operations around the country had a strong runup in high ticket sales during the latter part of 1983 and discounters expect the trend to continue well into 1984.

With the formerly unemployed returning to work, David Glass, vice chairman and cfo of Wal-Mart, observes that "The consumer has developed a good deal of confidence and people will continue to spend." In particular, he expects "bigger ticket fringe items such as color televisions and electronic goods to sell well. The fascination with the new technology is creating demand."

He adds, "I think there is still pent-up demand. In this country we are consumers; there is a compulsion to consume."

Russell Isaacs, chairman and ceo of the 122-unit Heck's, headquartered in Charleston, W. Va., believes that although the recovery is not fully under way yet in Heck's markets, "We see the recovery quickening its pace this year. Historically our area is behind the rest of the country." ■

DRUG STORES

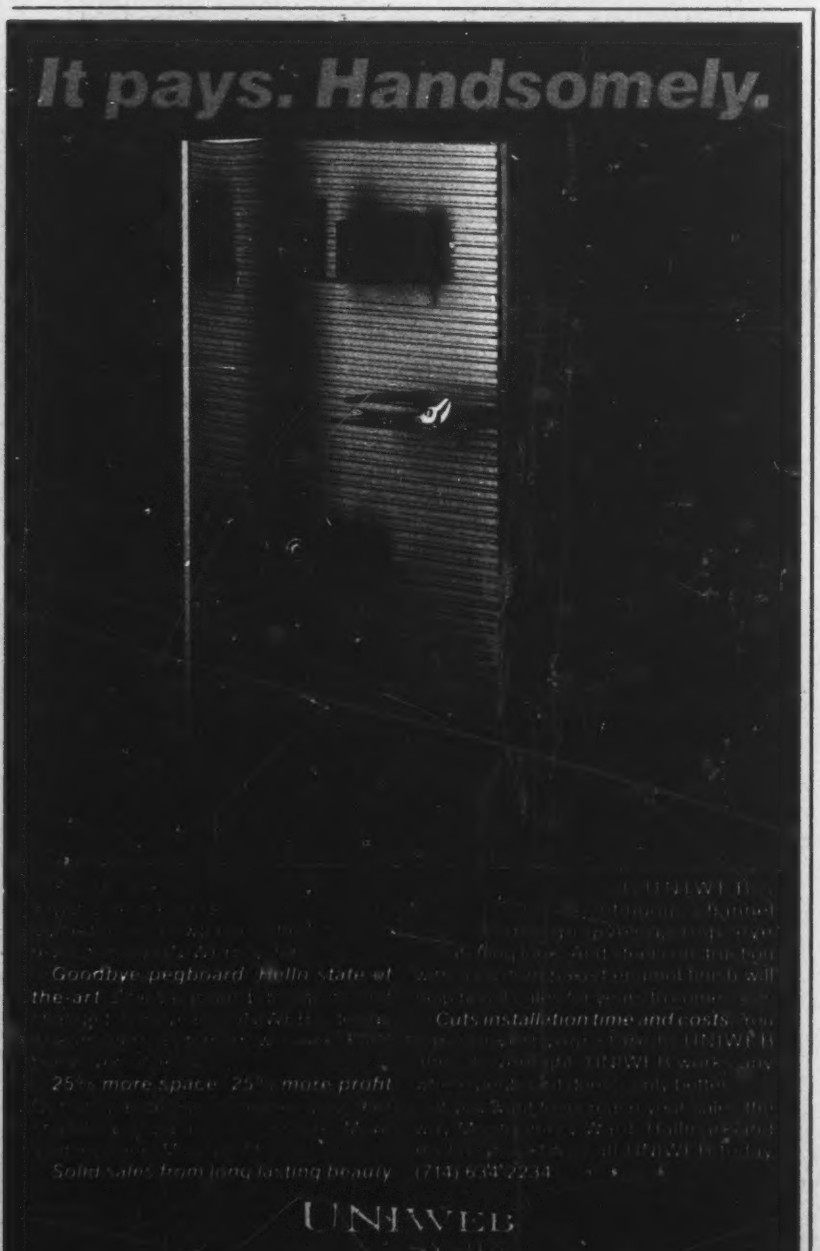
Steady growth to continue

No great drama lies on the economic horizon in 1984 for the chain drug store industry, known to be as boom-proof as it is recession-proof.

A survey of drug store executives shows that most expect the recovery that began last year to continue through 1984, although at a slower pace.

Most are projecting inflation in the industry to average 5%, with interest rates remaining near their current level.

Robert Arensmeyer, cfo for Peoples Drug Stores in Virginia, notes that Peoples, "is having an excellent year now. We look for continued growth next year." In the longer term, Arensmeyer believes that Government borrowing may raise interest rates "and cause some problem."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optimistic about the outlook for our business in 1984. The key economic indicators are positive. The employment figures are encouraging, the inflation numbers are good, and I believe interest rates will be relatively stable in 1984. All this should result in consumers being confident about their jobs and income levels."

He adds, "Recent trends support our belief that demand will be especially strong for both our department store and specialty store operations."

HOME CENTERS

DIY dealers enthusiastic

Home center operators—pointing to consumer spending and growth in housing starts—are optimistic that the economic recovery will continue throughout 1984.

However, home improvement retailing is frequently affected by variables such as weather, interest rates and new market competition, factors which are unpredictable.

Yet DIY dealers are particularly enthusiastic about early 1984, noting that this just-past Christmas season was characterized by unusually aggressive seasonal promotions. Winter months are traditionally an off-peak period for home center retailers.

Scotty's, of Winter Haven, Fla., which currently operates 100 home centers in Florida and one in Valdosta, Ga., is one of several DIY dealers whose confidence in the continued expansion of the economy is surging.

The largest- and fastest-growing building supply retailer based in Florida, Scotty's plans to continue expanding at a 10% rate per year, according to Ray Cooney, president. The chain reported a 16% sales increase during the first nine months of fiscal 1983 and a 26% increase for the quarter ended Oct. 1—with quarterly earnings rising 53%.

Scotty's, as with many building material suppliers, normally depends on DIYer consumers for about 70% of its business. During the two-year period in which the recession brought commercial building to a near standstill, however, Scotty's DIY customer "ran up to approximately 80% of Scotty's business," says Cooney.

In the last months of 1983, DIY dealers were reporting healthy sales gains, apparently reflecting the renewed enthusiasm among consumers to spend. ■

OFFICE EQUIPMENT

Words, words, words . . . an office dilemma

Before installing a system, a company should draw the opinions of the people who will use it.

As the border between personal computing and word processing blurs, soon to disappear completely, retailers face a confusing array of choices about office automation. "The technology of this industry builds on itself," notes Barbara Cooper, director of information systems for Miller & Paine department stores in Nebraska. "It's terribly complex, so it takes a lot of thought."

Indeed, the need to improve office productivity heightens the dilemma of trying to decide which way to go. Should one focus on dedicated word processing or choose word processing software adapted to the personal computer?

The question may rest on whether IBM's personal computer and IBM's tremendous power in the industry will determine the course of a retailer's office operations.

Already, a study of word processing patterns by *Chain Store Age Executive* finds that all of the 200 retail chains surveyed recognized the IBM name in word processing. Almost 50% of those executives use IBM word processors, far exceeding the use of the nearest competitors, Wang with 15%, Lanier with 8%, Exxon with 6% and Xerox with 4%. On average, those chains spent $58,500 on word processors, with some 10% spending over $71,000.

Dave Terrie, a senior analyst with The Yankee Group consulting firm in Boston, explains: "Word processing systems *per se* are fading rapidly in the marketplace. Even the classic CPT, Lanier and Wang word processing systems do at least some degree of personal computing. Typically that has been 8-bit to date, but very shortly a supplier won't even get looked at without 16-bit," or without compatibility with IBM's MS/DOS operating system.

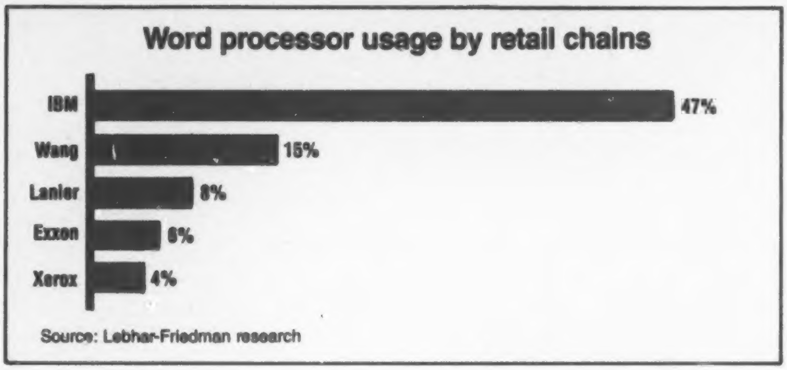
The need for compatibility between management's personal computers (PC) and support staff's word processors (WP) will become more urgent as automation spreads to the upper organizational levels. Yet most vendors of either kind of equipment "have not developed an adequate bridge" between personal computers and word processors, says Terrie. Without that bridge, a company cannot, for example, incorporate PC spreadsheet data into a WP document, even though most personal computers can run their own separate word processing software.

"Don't accommodate your business to a particular piece of equipment," warns Gallagher

Another linkage problem arises with SNA, or systems network architecture. Any word processing vendor "should be able to handle full SNA," says Terrie, "simply because large IBM networks are increasingly SNA-based. If you want to send your data over that network or pull data off that network, that's the mode your con-

Display Typewriter

Retailers should look for a vendor whose systems can handle a wide variety of software.



Source: Lebhar-Friedman research

nection is often going to have to take."

The fundamental question, however, of whether to buy a personal computer and find word processing software to run on it, or to buy a dedicated word processor, is not simple. At first glance, one might choose the first because it's cheaper and more versatile. A PC with printer and software will run around $3,400, while a stand-alone WP with everything on it will run over $7,000.

While the quality of third-party software programs for PCs is improving, they "don't provide even remotely as friendly an atmosphere for the secretary or whoever's going to use it," says Terrie. "A company that says, 'Well, we'll go with the IBM PCs and find some word processing software to run on them,' is something that company should be very careful with in terms of shoving the software down the throat of the user."

And included in the higher WP price is a far higher degree of service. The personal computer is often sold through retail outlets that give very little support after the system is sold. Word processing vendors, on the other hand, usually provide extensive training.

In addition, many companies already have an installed WP system. That entails hardware, a library of software and trained operators who are adept with the system. While both software and hardware conversions to PCs are available, they aren't perfect. And if users are effective with the installed system, "taking that machine away and throwing something else at them may really in the end be counterproductive," notes Terrie.

Nonetheless, dedicated word processing systems as a separate entity in the information network are fading from the market. New systems are based now on minicomputers or microprocessors that offer not only word processing but data processing and the entire array of computing services from electronic mail to business graphics, all in one system. But even if a retailer wants to convert, communication problems arise, especially when more than one vendor is involved. Therefore, upgrading systems and choosing vendors "can be a complicated planning cycle to watch out for," cautions Terrie.

Before installing a WP system, a company should draw the opinions of each department that will come in contact with the system. Of critical importance are the opinions of the users themselves, especially if they are already using a WP or a PC, from the secretaries on up. "The worth of the system is highly dependent on how happy the users are with it," says Terrie. "You could have as much as 50% difference in effectiveness" if users aren't happy.

The buyer should also make sure that the vendor can grow with future needs, and that the equipment is compatible with the company's own organization. Warns Jeanne Gallagher of Lanier Business Systems, "The type of system chosen must depend on the company buying it. Don't accommodate your business to a particular piece of equipment." With 190 or more vendors to choose from, the retailer should look for one who has systems that can handle a wide variety of software, have large memories, and which can connect with communications systems planned or in place. ■

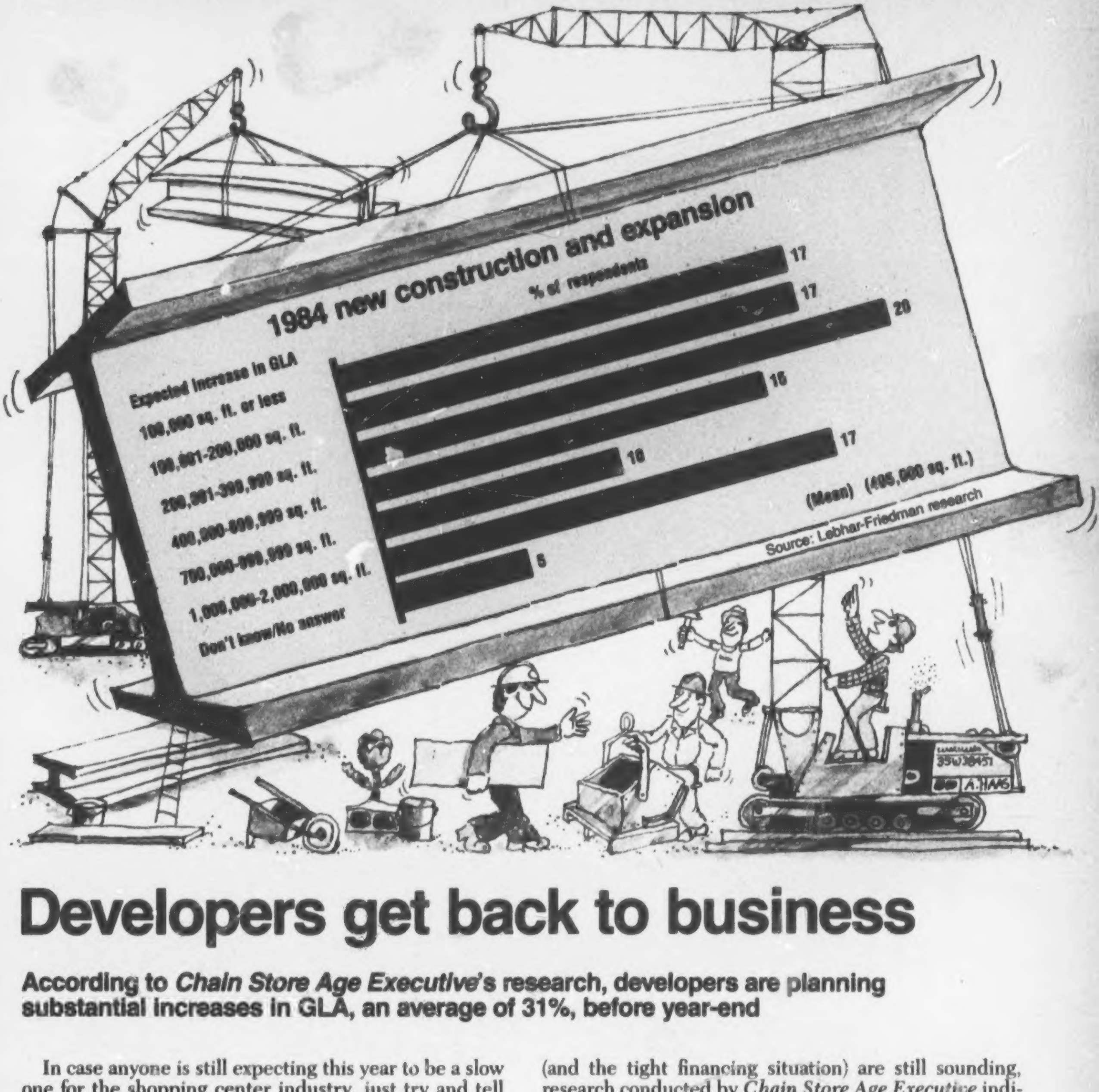
OFFICE EQUIPMENT

On the other hand . . .

Here are two widely different solutions to the word processing conundrum. One, taken by Stix, Baer & Fuller department stores in St. Louis, uses the Fortune word processing system, a takeoff from Wang. The other rests in a centralized, dedicated word processing system used by Miller & Paine department stores in Lincoln, Neb. Both meet the disparate needs of these retailers.

Jim Merello, director of MIS for Stix, Baer, says the Fortune word processor is a "networkable, very fast computer" that can be used as a professional desktop. But in addition to the Fortune, Merello will be getting more IBM personal computers for management.

"We opted to get the Fortune and use it as a word processor with the ability to network other terminals for future enhancements," says Merello. "We needed a word processor, so we decided to get one that could be used for other things. This can be used as a professional desktop, but it's networkable, it's a little bit bigger than a micro, it has a hard disk on it and available space on the hard disk can



Source: Lebhar-Friedman research

Developers get back to business

According to *Chain Store Age Executive*'s research, developers are planning substantial increases in GLA, an average of 31%, before year-end

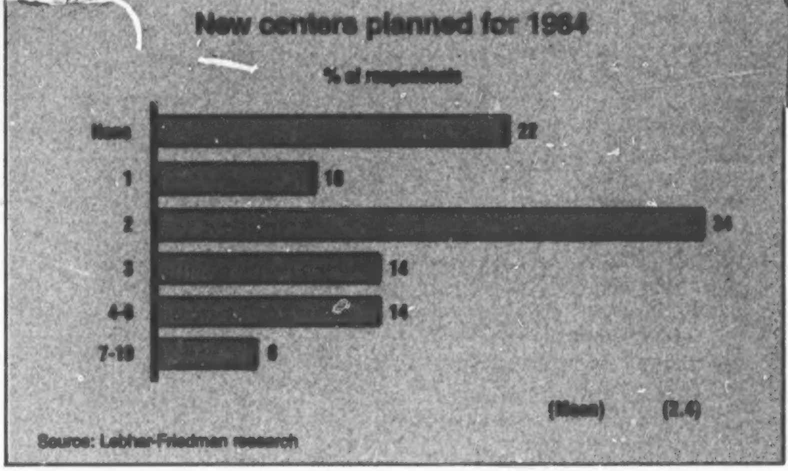
In case anyone is still expecting this year to be a slow one for the shopping center industry, just try and tell that to the nation's leading developers of retail space. They are so busy traveling around the country, supervising expansion of existing centers and/or new construction, signing up tenants and arranging for future deals that it's practically impossible to pin them down.

All of this activity is clearly both a cause and an effect of the economic recovery and expansion now taking place. But it is also the outcome of the convergence of two factors particularly appealing to shopping center developers: the increased availability of long-term financing at rates at least somewhat palatable, and a retailing sector that is very much in the expansion mood.

Although this year the after-shocks of the recession (and the tight financing situation) are still sounding, research conducted by *Chain Store Age Executive* indicates that 82% of the respondents are planning substantial increases in their gross leasable area (GLA) before year-end, by an average of 31%. In terms of square footage, the average increase is 495,000 sq. ft.

Of the respondents, to date 44% have been involved primarily in regional mall development, 36% in local "strip centers," 10% in off-price/factory outlet malls; 4% in mixed-use developments, and 2% in specialty theme centers. "Other" forms of retail development was cited by 2% and 2% indicated "Don't know/No answer."

Looking to future areas of involvement, the survey results bear out the increasing interest being shown by the industry in mixed-use developments, with 10% of



respondents indicating this will be their major area of involvement in the future. Specialty theme centers are also on the increase, with 4% saying this will be the major area where they focus their efforts.

Somewhat surprisingly, there was no increase in the percentage citing off-price/factory outlet malls and for regional malls; the number fell just slightly to 42%.

The biggest decline was in "local" strip centers, falling six percentage points to 30%.

Regarding the average size of centers presently under construction, the largest percentage of the respondents, 36%, are in the range of 100,000 to 200,000 sq. ft. This is followed by 18% with centers in the range of 601,000 sq. ft. to 1 million sq. ft. and 14% with centers under 100,000 sq. ft.

Of the remainder, 8% are 201,000 to 400,000 sq. ft. and 8% are 401,000 to 600,000 sq. ft. Sixteen per cent of the respondents are not presently involved in the construction of new centers.

Of those constructing new centers, they are currently involved in an average of two such projects.

A further reflection of obvious trends in the industry is the fact that a number of respondents noted that much of the space being opened during 1984 is the result of the expansion of existing properties.

Estimated cost per square foot for new construction

	% of respondents
$16-$20	6
$21-$25	2
$26-$30	10
$31-$35	10
$36-$40	10
$41-$45	10
$46-$50	12
$51-$60	16
$61-$70	4
$71-$80	6
$81-$90	—
$91-$100	—
$101 +	2
Refused	6
Don't know/No answer	6
(Mean)	($45.04)

Source: Lebhar-Friedman research

Sources of financing

	% of respondents
Conventional long term mortgage	56
Permanent take out	32
Open-end construction loan	32
Urban development action grants	14
Financing	14
Short term notes	14
All other sources*	2

*Includes revolving line of credit and internal financing

Source: Lebhar-Friedman research

This trend reflects the following: the recent high cost of money; the limited availability of prime sites for new center construction; changing demographics in the market areas of existing centers, and the expense advantages of adding space through expansion rather than through new center construction.

According to the survey results, the average estimated cost per square foot for the expansion of existing properties is $38.33. This compares with an average of $45.04 per square foot for new construction.

Whether through expansion of space or remodeling of the existing area, 54% of the respondents expect to refurbish a portion of their centers before 1984 is over. The percentages indicate: 18% are planning to refurbish from 1% to 9% of their centers; 14% between 10% and 19%; 14% between 20% and 29%, and 6% between 30% and 50%. Two per cent of the respondents indicated "Don't know/No answer."

The survey also confirmed that when it involves both new construc-

Estimated cost per square foot for expansion of existing properties

	% of respondents
Less than $5	—
$5-$10	2
$11-$15	2
$16-$20	4
$21-$25	8
$26-$30	20
$31-$35	8
$36-$40	8
$41-$45	10
$46-$50	6
$51-$60	12
$61-$70	4
$71-$80	4
Refused	6
Don't know/No answer	6
(Mean)	($38.33)

Source: Lebhar-Friedman research

tion and/or expansion and refurbishing projects, the greatest areas of activity continue to be in the Southeast and the Southwest. Each area was cited by 42% of the respondents, respectively.

These were followed by: Midwest with 8%; the Northeast with 6%; 0% for the Northwest, and 2% reporting that they could not designate a single area.

Conventional long-term mortgage financing was clearly the most often used form by these companies as well as being the one most preferred.

However, other forms of financing currently being used and reported by the respondents included: permanent take-outs, used by 32%; open-end construction loans, 32%; Urban Development Action grants, 14%; short-term notes, 14%, and "other" forms of financing, 16%.

Although many respondents indicated that they presently use several of these forms of financing, a whopping 74% (again not surprisingly) indicated that they would prefer being able to finance projects through a single source. That certainly hasn't been the usual situation in the past few years.

Like many such surveys, this one didn't reach any definite conclusions. Yet, there are several that can be inferred.

- Developers, at least through 1984 and on into 1985, still see the Sunbelt as the prime place to be.
- Regional malls are continuing to be built smaller, reflecting both decreased average store sizes and the entry of such malls into "middle market" areas.
- Developers will continue to place considerable emphasis on expansion and/or refurbishing of existing properties.

Not only does 1984 promise to be extremely active, but this survey indicates sustained growth through 1985. (It is certainly no secret that many projects planned for 1985 openings and beyond are already well along.)

The survey results indicate that 64% of those participating already have plans for increasing GLA in 1985, with the average percentage increase (operating on a larger base) at about 23%. The average in square footage terms is approximately 450,000 sq. ft.

The indications are clear. The shopping center industry won't be the same as it once was. But with a changed emphasis, it may very well turn out to be even better. ■

HINDSIGHT:

"I always come away with at least one good idea that more than pays for the trip."
—Jim Cline,
Director of Store Planning, Ribordy Drugs, Inc.

"I find that the most valuable part of SPECS from the specifiers point of view is that we get to meet with others in our field and are able to pass along information about vendors who attend the show. I like the informal, word of mouth way we exchange information. The give and take of the workshop sessions is also good, and the new computer workshops are excellent. SPECS is fun."
—Michael Sotire,
Manager, Remodels, Waldenbooks Co., Inc.

FORESIGHT:
Plan now to attend this year.

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"SPECS gives me a chance to compare notes with other retailers and meet with people in my field in the workshop sessions and the exhibitor idea-exchange display rooms."
—Bob Letcher,
Director of Store Services, King Soopers

"I like the opportunity to meet with others in my field to nurture new ideas. Also, because of the fact that our equipment vendors were available to us for 3 1/2 days of business and social contacts, we were able to work out some existing problems and improve our relations. SPECS was instrumental in getting us together."
—Duane Naccarato,
VP, Store Planning, Wal-Mart Stores, Inc.

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Chain Store Age EXECUTIVE February 1984

A strong rally in the stock market was one factor contributing to the most advantageous market that had existed since the late 1960's.

COVER STORY

Private to public: Is the window closing?

In 1983 a record number of private companies went public. Will the market allow the trend to continue this year?

If the management of a private retail chain decided last year to take the company public, chances are the timing was right for all concerned. If it chose instead to wait, it missed the boom—and may not be so fortunate if wanting to go public this year.

The boom that happened in 1983 consisted of the largest amount of capital ever raised in a single year through initial public offerings (IPOs). Last year's $12 billion in market capitalization was four times greater than the old record of $3 billion—and equal to the total amount raised during the prior 12 years. Thirty-seven retail companies took part in the boom.

The immediate advantage for a company in going public is an increase in the amount of capital available, and thus, greater company equity. This, in turn, makes it easier to borrow money through conventional sources and additional capital can be raised through subsequent offerings. In addition, by being public, companies are able to offer stock options that help them in both attracting and retaining quality employees.

Conversely, among the disadvantages are the costs involved, including accountants' and lawyers' fees and printing expenses, all of which go up when a company goes public. Then, there are the vagaries of the stock market itself.

The greatest disadvantage, though, is that the executive in charge now has a large group of other people looking over his shoulder. Yet, given the opportunity, many executives feel going public is worth the price.

Recent IPOs can be found in almost every retail classification. The 1983 roster includes such companies as Entre Computer Centers, Dress Barn, Designhouse International, Farm Fresh, National Lumber & Supply, Crown Books, Trak Auto, Williams-Sonoma and Medicare-Glaser (*see accompanying chart*).

Companies in the fields viewed as "fast growth" areas have been particularly active—computer retailing chains (six IPOs) and off-price apparel and footwear retailers (five IPOs).

What these companies reacted to was the most advantageous market for taking a company public that had existed since the late 1960's. It had no single cause, "But rather a lot of different factors got involved," says Roger LoPata, editor of "Going Public: The IPO Reporter," a newsletter published by Howard & Co., Philadelphia.

The first factor was a strong rally in the stock market which began in August 1982, coming off a bad cycle and what had been a bad year for IPOs.

"Typically over time when there is a prolonged rally in the stock market, the perception starts in private companies that maybe they should go public. But it takes time to put the whole thing together," says LoPata.

The amount of preparation involved, including the review period by the Securities and Exchange Commission (as long as two to three months during the height of the IPO flurry), means that from the time the market picks up there is a lag of about three months. That's one reason why the real IPO surge didn't start until the beginning of 1983.

The second major factor was the interest shown by institutional investors in IPOs—particularly those of young, growth companies. (Burlington Coat Factory reports that of the approximately 40% of the company's stock offered when it went public, institutional investors gobbled up 70%.)

What happened was that during 1981 and 1982 institutional investors had invested a disproportionate amount of their money in money market funds, lured by returns of 16% to 18%.

When interest rates started com-

SHOE-TOWN
PARISIAN
OPEN
SUNDAY
DRUG
HOME
CROWN
BOOKS

Thirty-seven retail companies took part in the "going public" boom in 1983—$12 billion in market capitalization.

ing down, they felt pressure to move some of their monies out. Unable to find something to generate a comparable 18% cash return, "They decided if not cash, how about growth companies." Such interest was "absolutely unprecedented" and meant that "The window for IPOs opened wider with more money available than ever before to support offerings," LoPata observes.

Lastly, 1983 witnessed a change in attitude on the part of New York City's 23 financial leaders toward IPOs. Traditionally they had taken a hands-off approach, preferring to make their profits by working with the already public, multimillion dollar top firms.

But suddenly profits from this source began drying up. Due to regulatory changes allowing shelf-registrations, mega-corporations can now put their own financing deals together. They no longer require the financial institutions' help in forming syndicates.

As a result, the bankers had to sit down and do some strategic planning to determine how they could replace those profits. They looked at the typical underwriter discount of 7%, saw it as profit free and clear and started falling all over themselves trying to get that business. They provided the mechanism that was needed for companies to go public.

The response of numerous private companies to the unexpected convergence of these three factors was predictable—they rushed into the market.

Among retail IPOs, some of these entries were hastily formed new companies that almost instantaneously went public to obtain expansion capital. Most of the computer chains went this route. For example, San Jose, Calif.-based Businessland currently has 14 retail units. But having gone public in December 1983, it expects to be able to finance 35 more stores by the end of 1984 (*Chain Store Age Executive*, December 1983).

The strong market for IPOs also afforded would-be entrepreneurs the opportunity to leave established retail companies and to strike out on their own. Among retailers, the chief example during 1983 was Frank Denny, formerly head of W. R. Grace's mammoth home center operation. He left that company in March to join a group of investors in the creation of Home Centers of America. The company went public in May and has been busy opening Home Pro warehouse stores ever since. (It has also made money for its investors. The stock was initially offered at $6.25 per share; by the end of the year the price had more than quadrupled to approximately $27 per share.)

Another example is Gene Ferkauf, best known as the founder of Korvettes. Back for a second round, last year he formed the ClubMart of America operation. The company went public in May and in December opened its first store in New York City, modeled on the wholesale warehouse club concept. (So far Ferkauf's operation hasn't fared too well on Wall Street. The stock was initially offered at $5.25 a share; as of Dec. 21, it was selling for $5 a share.)

Yet by far, the single largest group of IPOs in the retail industry made in 1983 came from established retail chains—grabbing hold of the opportunity to go public at last.

For Farm Fresh, the Norfolk, Va.-based supermarket chain that was the first retail operation to take advantage of this window when it went public last March, the timing couldn't have been better.

Over the last five years the company had been increasing sales at the rate of 25% annually; earnings at the rate of 39%. This has been accomplished through the renovation of its stores to make them larger and to test and develop the company's combo-store concept.

The finalization of this concept coincided with the opportunity to come to market to obtain financing for a rather ambitious expansion program. In 1982, space increased by only 4%; in 1983 it was up 34% with the opening of four stores; it is expected to rise 42% this year with six new stores in the works.

More typical than Farm Fresh's situation is the established company that goes public to add to the personal worth of the founder (often financing expansion is another, but somewhat less important, reason). An example is Merry-Go-Round which operates both women's and men's apparel stores and which went public in July.

"Our major reason for going public was that except for taking a modest salary, our two principal shareholders who had built the business over the past 12 or 13 years had never developed an estate. We felt that they should have a vehicle to make that happen," explains Michael Sullivan, Merry-Go-Round's president. (Plans to go public were actually initially made in 1973—before the first oil embargo sent retail stocks plummeting.)

An additional benefit is that being public "gives the company officers and other people in the organization a way to participate on an equity basis in the growth of the company. We felt that this was critical—especially for a company that has grown from two stores in the early 1970's to 225 stores at the end of 1983 and with plans this year to open 40 to 45." (Sullivan emphasizes that none of the capital raised through the IPO is being used for this expansion.)

Other examples of companies that went public for the enrichment of their founders' portfolios include:

- Dress Barn, which through its public offering last May made approximately $17 million for Elliott S. Jaffe, president, and his family who retained 47.5% of the company.
- Burlington Coat Factory, which raised $66 million when it went public in June, $44 million of which went directly into estate trusts of the Millstein family. The family still owns 65.22% of the company.
- Syms, where founder Sy Syms Merns, by selling approximately three million newly issued shares of stock in September made himself about $44 million as part of a $51 million IPO.

However, to claim that these companies go public simply for the enrichment of the founders is an oversimplification. At Dress Barn, for example, going public represented more than "a chance for the principals to get some money out of the business," points out Michael Palmer, vp-finance.

"Even more importantly, we were able to solidify our financial position. We were able to put enough money

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into our treasury so that now we can weather any type of storm. (*For the reaction of Monroe Millstein, president of Burlington Coat Factory, see related story.*)

Palmer admits that "Going public was a real ego thing for everybody involved." More significantly, "We can now make stock offers to employees and that attracts better employees. It is just like companies that offer Blue Cross and other such benefits. We have to offer them too."

He adds that "By going public, we've gone from being a little company to being a first class operation."

Yet, following this route "definitely changes the personality of a company. For the chief executive, it means not only having to devote some of his time to meetings with the financial community, but learning to deal with the decision-making constraints, real or imagined, imposed by both stockholders and the investment community.

"When a company is private, the owner is his own boss. If he comes up with a five year plan that requires feeding a lot of retained earnings back

1983 retail IPOs

Company	Type of store/ retailer	Date public	Price	P/E	P/E 12/21/83	% change	Price 12/21/83	% change
Farm Fresh	Supermarket	3/25/83	$16.33	23.1	25.3	9.5	$19.25	17.9
Devon Stores	Hard goods	4/5/83	13.33	20.2	15.2	−24.8	12.00	−10.0
Deb Shops	Women's apparel	4/6/83	17.50	16.4	14.5	−11.6	20.50	17.1
Trak Auto	Auto supplies	4/26/83	22.00	21.6	18.2	−15.7	16.00	−27.3
E&B Marine	Marine supplies	4/27/83	12.00	14.8	20.3	37.2	20.75	72.9
Dress Barn	Off-price apparel	5/4/83	23.00	37.1	23.7	−36.1	22.00	− 4.3
CompuShop	Computers	5/12/83	8.00	34.8	22.9	−34.2	11.00	37.5
Home Centers of America	Bldg. supplies warehouse	5/13/83	6.25	NM	NM	NM	9.00	44.0
Computer Factory	Computers	5/17/83	12.50	39.1	22.9	−41.4	8.00	−36.0
ClubMart of America	Membership off-price	5/18/83	5.25	NM	NM	NM	5.00	− 4.8
Vitality Unlimited	Health food	6/1/83	7.75	NM	NM	NM	4.38	−43.5
Burlington Coat	Off-price apparel	6/9/83	28.00	26.4	19.4	−26.5	21.75	−22.3
Merry-Go-Round	Apparel	7/6/83	21.00	21.9	16.8	−23.3	22.00	4.8
Williams-Sonoma	Mail order	7/7/83	23.00	31.9	22.3	−30.1	14.50	−37.0
Convenient Food Mart	Convenience foods	8/2/83	10.00	13.7	10.1	−26.3	7.50	−25.0
Crown Books	Books	8/9/83	25.00	48.1	27.6	−42.6	18.75	−25.0
Shoe Town	Off-price shoes	8/31/83	10.00	NM	NM	NM	9.88	− 1.3
Comp-U-Card	Computer service	9/15/83	20.50	NM	NM	NM	23.00	12.2
Pearle Health Services	Optical	9/16/83	17.00	14.4	16.0	11.1	20.63	21.3
Syms	Off-price apparel	9/23/83	15.00	28.8	28.2	− 2.1	15.25	1.7
National Lumber & Supply	Building supplies	10/4/83	10.00	20.8	17.4	−16.3	9.75	− 2.5
Designhouse International	Furniture	10/6/83	10.50	12.4	14.4	16.1	12.25	16.7
Casey's General Stores	Convenience stores	10/20/83	15.00	17.2	12.2	−29.1	10.50	−30.0
Parisian	Apparel	11/10/83	14.50	15.1	15.8	4.6	16.13	11.2
The Federated Group	Electronics	11/15/83	12.50	18.9	17.5	− 7.4	15.75	26.0
Rent-A-Center	Hard goods	11/21/83	14.50	22.7	20.8	− 8.4	13.75	− 5.2
CML Group	Apparel	11/22/83	13.00	13.3	13.3	0.0	13.00	0.0
Medicare-Glaser	Pharmacy	11/23/83	8.00	—	19.0	—	8.00	—
Delchamps	Supermarket	11/25/83	14.00	11.6	9.6	−17.2	11.63	−17.0
The Computer Store	Computers	11/30/83	6.00	NM	NM	NM	0.94	−84.4
Mars Stores	Discount dept.	12/2/83	5.75	10.1	11.0	8.9	6.25	8.7
Entre Computer Centers	Computers	12/6/83	12.00	171.4	86.8	−49.4	14.75	22.9
Clothestime	Off-price apparel	12/9/83	11.00	20.4	18.1	−11.3	9.75	−11.4
Businessland	Computers	12/15/83	10.00	—	—	—	10.13	—
Medicine Shoppe Int'l	Pharmacy	12/19/83	12.50	—	—	—	13.75	—
Dwight Health Care	Dental care centers	—	—	—	—	—	—	—
Royal Int'l	Optical	—	—	—	—	—	—	—

NM—Not Meaningful
Source: Daniel Barry, Kidder, Peabody & Co.

into an ambitious expansion, using money that would otherwise provide a nice cash surplus, he can do this. But when the company is public, that's not always the case."

The potential for conflicts is always present because of the fact that "Investors and analysts live on quarterly numbers. They typically expect to see substantial earnings per share growth on an annual basis. When it doesn't appear, they can become nasty, asking a lot of questions, making a lot of telephone calls and wondering aloud why the stock plummeted. This can't help but become a factor in decision-making."

Mitchell Rubinson, president of Cache, a women's apparel chain that went public approximately two and a half years ago, admits that, "As a private company, I used to think about what I wanted to do in a year, in five years and as the ultimate goal. As a public company I think exactly the same way—but I do worry more about the individual fiscal quarters because the investment community, particularly security analysts, place a lot of importance on those results. Sometimes this creates a lot of pressure, but I try not to let it affect me."

He adds that "After you go public, you have to communicate more, you have to answer questions and you have to be more responsive—even if you own the lion's share of the business. You are no longer a private person."

At Merry-Go-Round, Sullivan acknowledges that "We do now report things that we did not report in the past and we have to discuss our performance in greater detail, but I haven't been reluctant to do that. We have done so well in our past few quarters it's been a pleasure to tell. But, if we were in a different position, this might change."

The companies that joined Merry-Go-Round in going public last year were able to take advantage of market conditions for IPOs that, at least for retail offerings, may no longer exist.

The chief reason, according to Daniel Barry, a retail industry analyst with Kidder, Peabody & Co., is that at least through the first half of this year, "Retail stocks are expected to underperform the market and to be down on an absolute basis." He expects apparel-related companies to be particularly hard-hit.

"This means that the window of opportunity for retail chains going public is shut except for a very few exceptional companies," he claims.

That may spell bad news—particularly for the seven retail companies that still had preliminary filings for IPOs pending at the end of 1983. ■

—**Jacquelyn Bivins**

INTERVIEW

Public image wearing well at Burlington Coat Factory

"Being public is great fun now. But, if the figures were bad I probably wouldn't be finding it so much fun." *—Millstein*

By going public, "we became masters of our own destiny," says Monroe G. Millstein, president and ceo of Burlington Coat Factory.

The company, which went public on June 9, 1983, is one of the acknowledged leaders among off-price apparel chains. Yet, although it has been in the retail business for over a decade (and in the wholesale business since 1924), it wasn't until corporate suitors came along that the Millstein family thought about taking the company public.

With the business growing swiftly, Millstein recalls that early in 1983, "We were approached by several giant companies who wished to acquire us. They asked for us to project our five-year plan—something we had never really done before. Once it was completed, we saw that we would have no problem carrying it out ourselves. By going public we were able to get the capital to expand."

As a further incentive, Millstein observes that "I had been told by executives of other companies that had been acquired that no matter what they were told ahead of time, it was not the same after they sold out."

Yet, despite the advantages Millstein sees in having gone public (including the $44 million that went to the Millstein family), he admits that "everybody has become a critic."

He enjoys telling the story of the young institutional investor "who, after visiting one of our stores back in July, told me that we were wrong in claiming that we are appealing to an upscale consumer. He said we were going after the K mart customer. This comment came after he and his wife hadn't found anything they wanted. Yet, he and his wife returned to the same store in November and this time they spent $600. He then said to me, 'Hey, you changed the merchandise mix, didn't you?' But we didn't—the store had the same brands. What happened was the first time he came in he wasn't ready for what we were doing. We now have lots of those critics and judges."

Millstein is also coming to realize that it's impossible to please everyone. For example, "Recently, one of our investment advisers said to me, 'I like your company. I particularly like the fact that you don't have a financial public relations firm.' But then I told him that because of the recommendations of other people 'I just hired one—he wants me to talk at meetings.' The response of the adviser was 'but I want you to stay home and run the business. That's why I invested in your company' " (Millstein estimates that so far only about four hours of his time a week are being spent on responsibilities specifically attributable to now being a public firm.)

Despite the critics, with Burlington Coat continuing to generate sizable sales and profit increases, Millstein says that "Being public is great fun now. But, if the figures were bad I probably wouldn't be finding it so much fun." ■

Chain Store Age EXECUTIVE

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March 1984

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HISPANIC MARKET: DON'T UNDERESTIMATE IT

Chain Store Age
EXECUTIVE Volume 60, No. 3/March 1984

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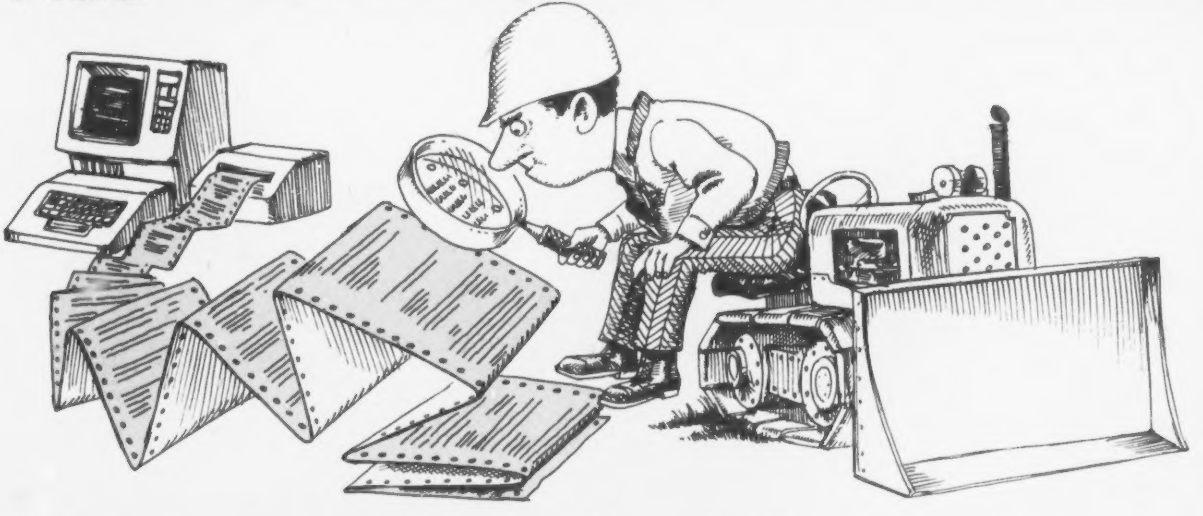


Developers track the data

Increased availability of more detailed demographic information is causing a re-evaluation of traditional methods of site selection

As developers play the numbers game in site selection, they are starting to look at more than face values. By analyzing what the numbers actually mean, they are able to more accurately assess the sales and profit potential of their development activities. One result is that they are starting to recognize opportunities in geographic regions they may have passed by before.

"Developers are looking at the numbers more precisely and scientifically than ever before, even questioning the methodology by which the projections are made," says Don Wood, vp, general manager for Donnelley Marketing Information Services which entered this area approximately one year ago.

While interest continues in such traditional measurements of trading area potential as population growth trends, income and number of households, "There is also a great deal more interest being shown today by developers and retailers in lifestyle segmentation," according to Wood. This begins with such basic market area statistics as age of the population, occupation and household size (including number of children living at home) but can extend to include measurements of consumers' interests, activities and stage in the life cycle.

To aid in the analysis of such data, a number of market research firms are starting to use "cluster analysis" as a statistical technique. Donnelley's offering is Cluster-Plus which displays 47 lifestyle classifications for any designated marketing area. These range from "top income, highly educated professionals" to the lowest categories on the socioeconomic scale.

As an example of how Cluster-Plus data can be put into action, Wood recalls that while doing a study of an area of Marietta, Ga., "We discovered approximately 50% of the population fell into one of the 47 categories, 'Younger, mobile professionals, homeowners, children.'

"When a developer runs into this type of situation, he had better make sure that he has a tenant mix that will make everybody happy—this would be a particularly good location for toy stores, for sporting goods stores and for other types of retail establishments which fill the needs of this younger, active potential clientele."

Wood adds that "This calls for a totally different mix than someone would look for in an area that is primarily high-rises and where there are no children." To cull its information, Donnelley uses a base of over 73 million households.

Other lifestyle segmentation services include C.A.C.I.'s ACORN and Claritax's PRIZM, both based on geodemographics. ACORN, or A Classification of Residential Neighborhoods, divides consumers into block groups, averaging 250 to 300 households per group. Each group can be analyzed through over 300 measurements to which cluster analysis is applied and 44 lifestyle types are defined, linking them directly to geography.

The PRIZM system utilizes zip codes and applies over 1,000 United States Census demographic measures to each of the 35,600 residential zip-code neighborhoods. Through analysis and classification of the results, these neighborhoods are assigned to one of 40 ZIP-Market Clusters. Each of these is believed to represent a distinct neighborhood lifestyle and to indicate predictable patterns of buying behavior.

Michael Stansbury, president of National Decision Systems, believes his company has developed a demographic screening model that takes such analysis further. With this model, it is able to analyze demographic and lifestyle data to determine actual benchmarks for the success of any project.

"Developers are able to order printouts from us that interpret data indicating what types of tenants they will, or can, attract, and which they will not attract, giving them a powerful tool when leasing a center. Very few firms have the capability to offer that sort of analysis," says Stansbury.

Using such statistical tools, demographic analysis also enables close estimates to be made of the actual sales dollars that a developer or retailer can expect to generate at a particular location.

The increasing availability of such detailed information is one of the chief reasons that "We are definitely seeing an increase in development in the Northeast, among other areas," observes Stansbury. "By having more sophisticated information, developers know the market better, can carefully analyze the competitive situation and minimize some of their risks."

Interest in this particular region is somewhat of a switch from the past few years when most of the major development companies have been passing the Northeast by. They were lured south by the strong population growth, the seemingly unlimited supply of land and the relative ease of building in the Sunbelt states.

But now, just as some of the glow of the Sunbelt is starting to dim (particularly in Texas), the Northeast is having a resurgence of sorts.

"When you look at New England, and New York and New Jersey too, you see a fairly substantial restoration of the economy," points out James Newton, director of economic research for Management Horizons.

"In New England particularly, the economy has gotten out of heavy manufacturing, textiles and other very cyclical industries and more into high-tech, service-related types of employment."

High-tech companies are also beginning to cluster around the headquarters of General Electric and IBM in New York's Hudson Valley, and near Eastman Kodak's Rochester, N.Y., headquarters.

Service-related companies are busy moving their headquarters to central New Jersey's business corridor while firms in Connecticut, Massachusetts and New Hampshire are all expected to benefit from increases in defense spending.

The result of all this activity is that "although the population in the Northeast may not be growing as quickly as in some other geographic areas, the growth is coming through a relatively highly educated population with high income," says Newton.

He concedes that economic and retail projections from the United States Department of Commerce for the nation's census divisions, "along with everything we've done and everything anyone else has done," indicate above average growth in the South and West and below average growth in the Northeast and North Central areas.

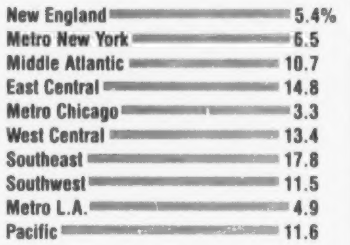
But he cautions retailers and developers to look beyond simple growth rates and recognize "to a large degree that growth is population-driven only. It may not necessarily be a highly employed, high-income population." As an example, he points to Texas where, although one of the top three growth areas, employment for new arrivals is becoming a growing problem, particularly given the collapse of oil and energy-related industries.

He feels that a more realistic view of market potential is available by looking at per capita sales growth figures "which more accurately represent the true growth potential for such vital factors as sales per square foot."

When retail sales are examined on this basis, with the "population venner" stripped away, Newton's projections show New England with an average annual per capita growth rate in total retail sales for the period 1983-88 (based on 1972 dollars) at 2.8%. This compares to 2.2% for the West South Central Region and 1.8% for the Middle Atlantic States. (The fastest growing region, at 3.2%, is expected to be the South Atlantic. *See accompanying map.*)

Share of population

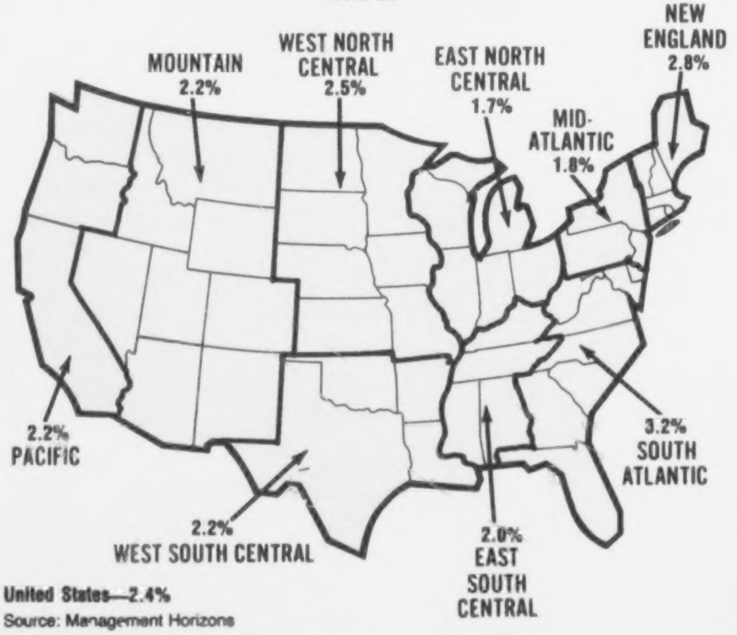
(Year ended Aug. 1, 1983)



Source: A. C. Nielsen Marketing Research

Total retail sales (1972 $)

Average annual per capita growth rates 1983-88



United States—2.4%

Source: Management Horizons

Per capita disposable income

	1982 effective buying income*	% change from previous year
Total United States	$ 8,706	+ 9.7%
New England	9,344	+10.8
New York	10,357	+11.4
Mid-Atlantic	9,078	+10.7
East Central	8,452	+10.1
Chicago	10,284	+ 9.3
West Central	8,490	+ 7.1
Southeast	7,366	+ 9.9
Southwest	8,421	+11.4
Los Angeles	9,867	+ 8.8
Remaining Pacific	9,083	+ 8.9

*Sales mgmt. estimate
Source: A. C. Nielsen Marketing Research

Adding to the viability of the Northeast region is that its unemployment rate is now back down in single digits while the jobless rate in certain areas of Texas, where the recovery has hardly started, is still double-digit.

An indication of continuing strong growth is a forecast by Data Resources Inc. that indicates that real output in the Northeast region will grow 4.1% annually from 1983 to 1988. This compares favorably to the Sunbelt's expected 4.8%, and is a clear-cut improvement on the region's 1.4% rate over the past five years.

Yet, for the developer, the region holds still another attraction, points out Stansbury. There is simply less new competition.

It is quite likely that several of what Stansbury describes as "new concept" retail projects (most often enclosed regional malls) may open near to each other over a relatively short period of time in some Sunbelt markets. But in the Northeast when a developer brings in a new center or renovates an old one, this is much more likely to be the only project going on in town.

For all of the positive aspects of the Northeast, it's true that many market areas already have sufficient, if not more than sufficient, retail facilities to meet current population needs. However, there still exist certain select areas of market opportunity.

For example, Kravco has recently announced plans to construct a large regional center 12 miles outside Atlantic City, N.J., scheduled to open in late 1985 or 1986. (Atlantic City is reported to be one of the fastest growing markets for retail sales in the country.) Kravco also has in the works a possible new full-scale regional center near Philadelphia.

Other examples include Pyramid's new Crossgates Mall (*Chain Store Age Executive*, October 1983); the Fox Run Mall in Newington, N.H., recently opened by State Properties of New England; another State Properties project, The Crystal Mall, just getting under way in Connecticut, and the Danbury Fair Mall, in Danbury, Conn., being developed by Wilmorite. (Wilmorite is also developing a new project near Rotterdam, N.Y.)

Even the big nationals are returning to the region. One example is Ernest Hahn which, barring any more community delays, is finally going ahead with its Bridgewater Commons, a regional center in Bridgewater, N.J.

Such projects illustrate the fact that even in a market that at first glance appears over-saturated with retail projects, there remain "pockets of opportunity." (Less than 10 miles outside of New York City, in Secaucus, N.J., the Harmon Cove regional mall is under consideration.)

Besides regional malls, for which sites are admittedly severely limited, the Northeast is also characterized by a large number of aging, but still viable, downtown areas.

Whatever the type of development, most of the experts agree that with the emergence of extremely detailed market information, the Northeast once again represents a viable area for retail growth.

In fact, Newton goes so far as to say, "I think that the Northeast is more than just viable. In fact, in some respects, for some types of retailing, it could be a prime area for expansion." ■

—Jacquelyn Bivins

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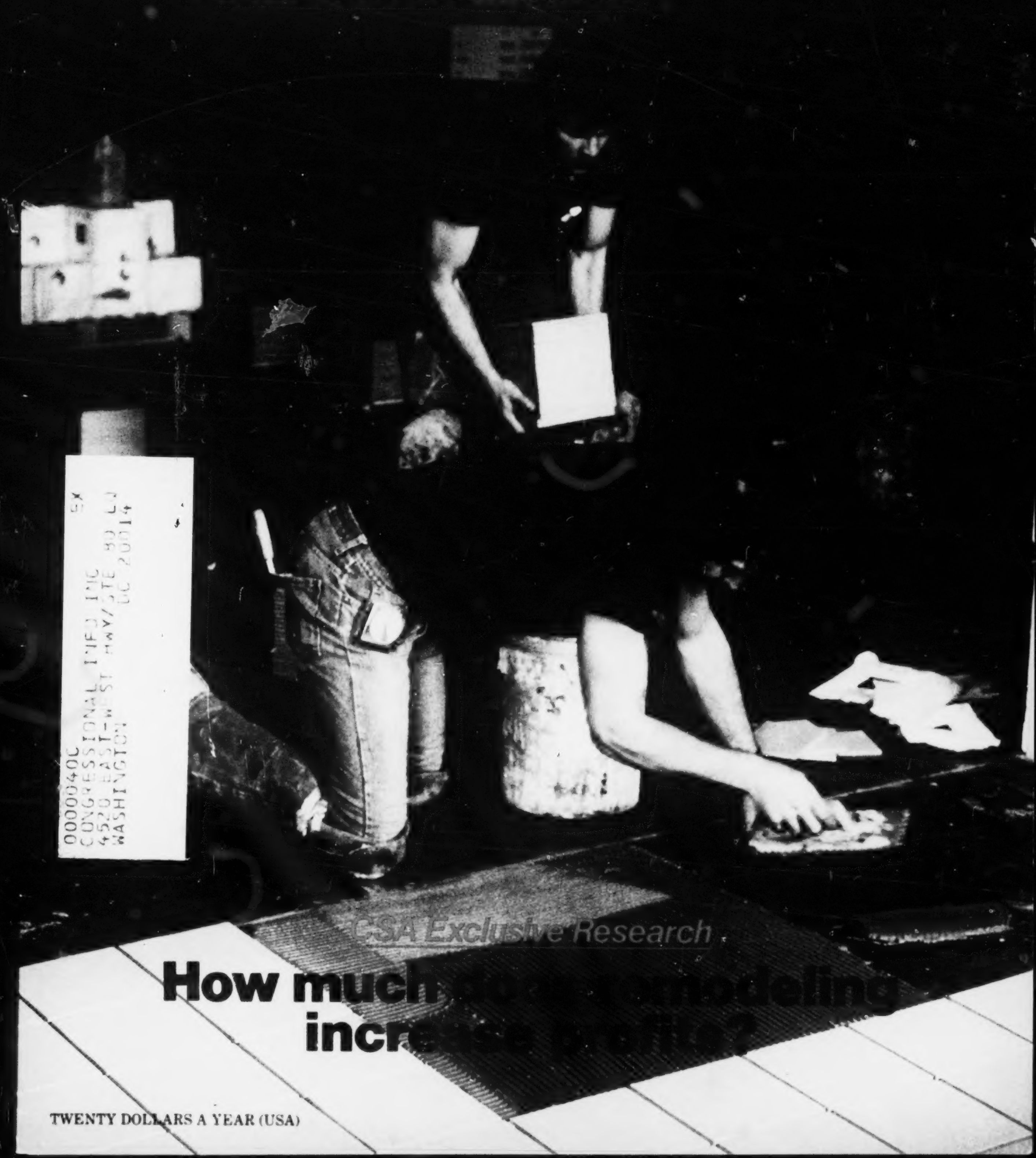

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Chain Store Age EXECUTIVE Volume 60, No. 4/April 1984

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Chain Store Age
EXECUTIVE
April 1984

Of the survey respondents, 56% assign remodeling projects to an in-house department.

COVER STORY

Store remodeling: How profitable can it be?

Chain Store Age Executive's survey shows a 17% profit increase and a 33% increase in sales after remodeling

Retail chains are spending an average of $16.43 a square foot to update their shopworn stores with a majority reporting an average increase of 17% in profits per square foot and 33% in sales after remodeling.

These figures are disclosed in an exclusive survey by *Chain Store Age Executive* of 120 chains representing a cross section of discount/mass merchandise, department, supermarket and drug stores with an average annual volume of $818 million per chain.

The survey comes at a time when many chains are directing a substantial portion of their capital expense budgets to remodeling existing stores, rather than building or opening new units. The reasons given are simply that it's easier and faster to increase sales and profits per square foot on better utilization of existing resources than with new units.

Chains such as Sears, Roebuck, K mart and J. C. Penney are in the middle of long-range remodeling programs in attempts to increase market share and profits. For instance, the lion's share of K mart's 1984 capital expenditure budget of approximately $400 million will be devoted to remodeling existing stores.

The survey asks the chains whether they are engaged in extensive or minor remodeling of their stores, asking them to scale it from five (major) to one (minor). It then matches up the costs of remodeling with whether it is a major or light redo and finds that on average, major remodeling projects cost $18.80 a square foot, more than $5 over the $13.23 a square foot for a light remodeling job.

By category, supermarkets average $23.30 per square foot for major remodeling jobs and $19.56 a square foot for light redos; department stores average $21.72 for majors and $16.04 for minors; discount/mass merchandise, $14.30 for majors and $10.40 for minors, and drug, $13.18 for majors and $9.92 for minors.

Although remodeling activity doesn't vary substantially by type of chain, supermarket and department stores engage in slightly more extensive remodeling than do their discount and drug counterparts. Again, using five as extensive and one as minor, the list includes: supermarket (4.1), department (4), discount/mass merchandise (3.7) and drug (3.4).

Supermarkets spend the most on remodeling, according to the survey, averaging $22.14 a square foot, followed by department stores ($19.57), discount/mass merchandisers ($12.92) and drug stores ($11.17).

The largest supermarket group spends between $26 and $30 a square foot. The largest single department store classification spends between $16 and $20 a square foot. [J. C. Penney spends between $20 and $30 a square foot for remodeling (*Chain Store Age Executive*, September 1983), or an estimated $2 million to $3 million a store.]

The largest single drug store category is between $5 and $15 a square

Remodeling cost per square foot

To remodel a store in reasonably good condition would total approximately $170,000, which is about $11.33 a square foot.
—Jim Fowler, assistant vp-real estate, Perry Drug Stores

	Total	Disc./Mass Merchandiser	Dept.	Super.	Drug
Less than $5	10%	20%	3%	7%	10%
$5-$10	24	30	10	10	47
$11-$15	15	17	20	3	20
$16-$20	21	13	33	27	10
$21-$25	8	3	7	17	3
$26-$30	13	3	10	30	7
$31-$35	1	—	3	—	—
$36-$40	2	—	7	—	—
$41-$50	3	7	3	—	—
$81 +	1	—	—	3	—
Don't know/ No answer	4	7	3	3	3

Source: Lebhar-Friedman research

Remodeling a Marshalls store runs "less than $10 a square foot on average" vs. $14 for "complete transformations."
—Dennis St. John, vp-facilities, Marshalls

foot for construction. Asked about this, Jim Fowler, assistant vp-real estate, Perry Drug Stores, says that for leasehold improvements alone, the bills come to $11.33 a square foot.

The return-on-investment for remodeling is best for the discount/mass merchandiser with an average increase in profits per square foot of 28% on a sales gain of 30%, according to the survey. This is followed by department stores with a 17.5% average profit increase per square foot on a 25.4% average sales increase. Supermarkets show an average profit increase per square foot of 13.4% on a 52% average sales increase, and drug chains show an average profit increase of 11% on a sales increase of 23% per square foot.

Other data revealed in the survey includes:

- Average lifespan of physical support systems, such as signage and fixtures, is 9.5 years, while ceilings have an average life of 13.5 years.
- Potential for increasing sales is the reason given by 90% of the respondents as the major reason for remodeling, while 79% cite the potential of increasing market share, and 70% say they are trying to attract a broader customer base.
- A whopping 97% of the stores are kept open during a renovation.
- An average of 35% say that they enjoy increased business during a remodel; 36% say there is little or no impact, while only 16% say there is a falloff in business.
- A total of 56% of the chains use in-house facilities to remodel their stores; 12% hire outside companies, and 33% use a combination of both.

Much of today's remodeling in retailing currently under way or on the planning boards revolves around what retailers call "redeployment of assets," or the reallocation of space within stores to make room for new merchandise offerings, or to eliminate product categories no longer in demand by consumers. Add to this the fact that many chains are closing unprofitable stores in an attempt to improve their profits.

"Distinctive decor enhances a store's image and builds traffic": 89% of the respondents agree

The decision to remodel, according to the survey, originates from a variety of sources. While no one input governs the decision, influences arising from within the store are more prominent than external sources of information or events.

Appearance, updating and expansion are the major reasons given by the respondents for remodeling (41%), while concern with what the competition is doing ranks fairly low (23%). Business projections, ROI and potential sales rank second (35%), and surveys of the needs of the stores and/or departments rank third (25%). Trends in merchandise, the marketplace and customer demand is the least important reason (15%).

Department stores are least inclined to examine the overall physical condition of their stores (10%), yet are more likely to have the decision originate with management (20%). Drug chains are the most inclined to evaluate the overall appearance (63%), but only 3% rely on management decisions for remodeling projects.

Discount/mass merchandisers, on the other hand, direct more attention toward competitive activity as a basis for remodeling (40%). Supermarkets put a lot of emphasis on appearance (50%).

A significantly higher proportion of department stores (77%) and discount/mass merchandisers (70%) than their supermarket (53%) and drug (43%) counterparts consider "creating a new look" as an "extremely/very important" inducement to remodel.

Consistent with the relatively low utilization of consumer demand (15%) as a determinant of remodeling need, the majority of respondents (62%) do not formally elicit the views of consumers prior to remodeling. Only the supermarket category shows that 50% do consumer research before remodeling. The others average 70% against using this device.

Only nine of the 45 respondents whose chains conduct consumer research prior to remodeling are able to furnish an estimate of the costs of the research. On average, consumer research expenditures total $11,700. The majority of the stores that did consumer research delegate this responsibility to an internal research department.

Ceilings have the greatest longevity among signage, fixtures and ceilings, according to the survey, lasting an average of 13.5 years before replacement is required. Discount/mass merchandisers report ceilings last 14.5 years; department stores, 14.2 years; drug stores, 13.2 years, and supermarkets, 12.2 years.

The lifespan of signs ranges from 10.9 years for drug chains to 10.6 years for supermarkets, to 10 years for discount/mass merchandisers to seven years for department stores.

Fixtures have an 11.1-year lifespan for drug chains, 9.9 years for supermarkets, 9.6 years for discount/mass merchandisers, and only 7.5 years for department stores. In an earlier poll (*Chain Store Age Executive*, March 1984), retailers said they averaged six years between overall store remodelings.

Store planners say they are favorably disposed toward remodeling as a viable means of enhancing store image and generating consumer traffic, but many say that attractive store design is of lesser importance to consumers than other attributes, such as low prices.

Nearly nine in 10 respondents "agree strongly/somewhat" with the contention that "distinctive decor enhances a store's image and builds traffic" (89%). At the same time, 52% of the store planners say that consumers would rather shop at stores featuring less ambience and lower prices than expensively decorated, higher-priced stores.

As might be expected, while 90% of the discount/mass merchandisers note that distinctive decor enhances a store's image and builds traffic, 73% say that consumers today would rather shop at stores featuring less ambience and lower prices than expensively decorated, higher-priced stores.

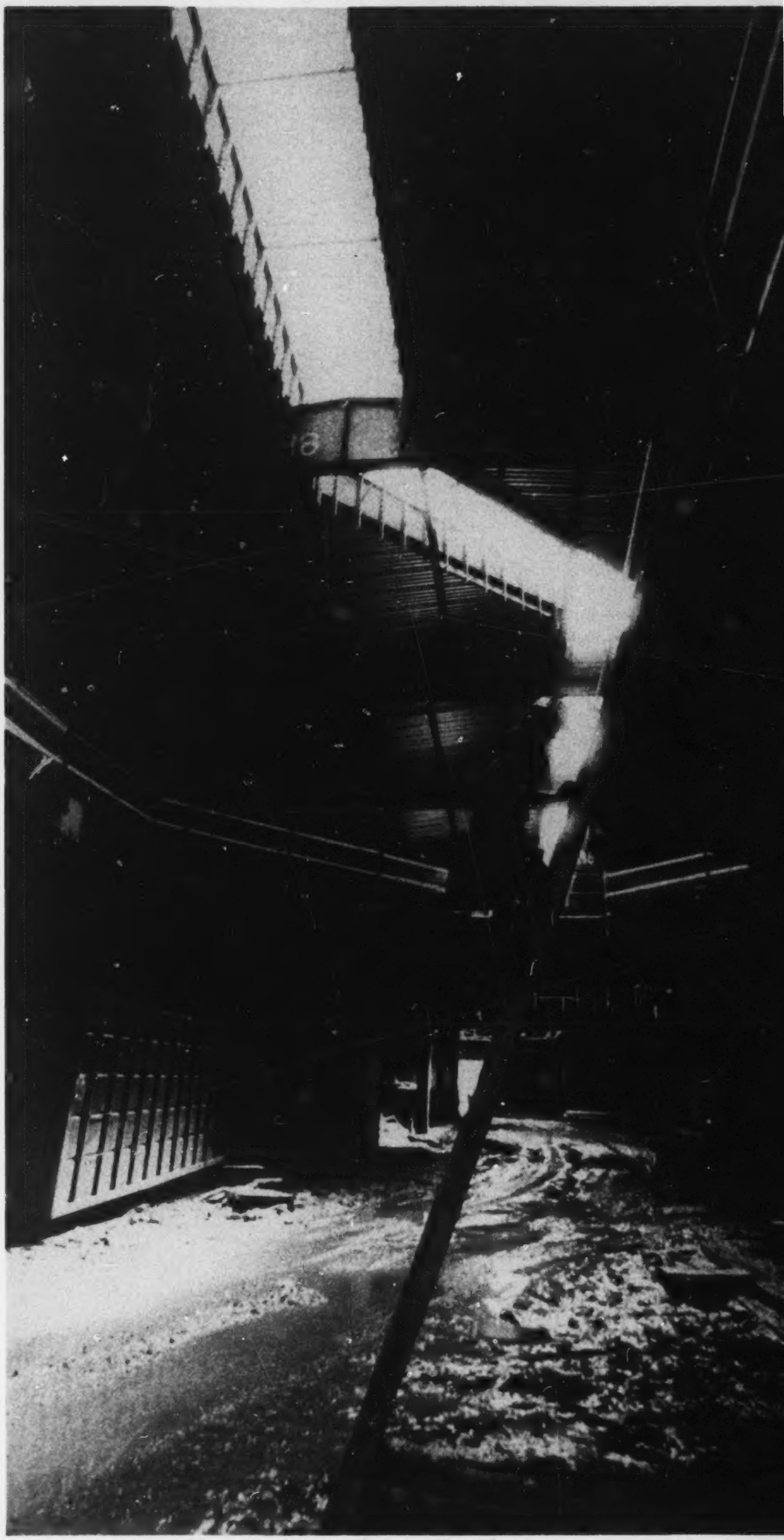
Also, 13% of the discount/mass merchandisers say that store remodeling is expensive and doesn't increase business appreciably.

In addition, 53% of the drug chains, 50% of the supermarkets and 30% of the department stores stress price over ambience in getting new business.

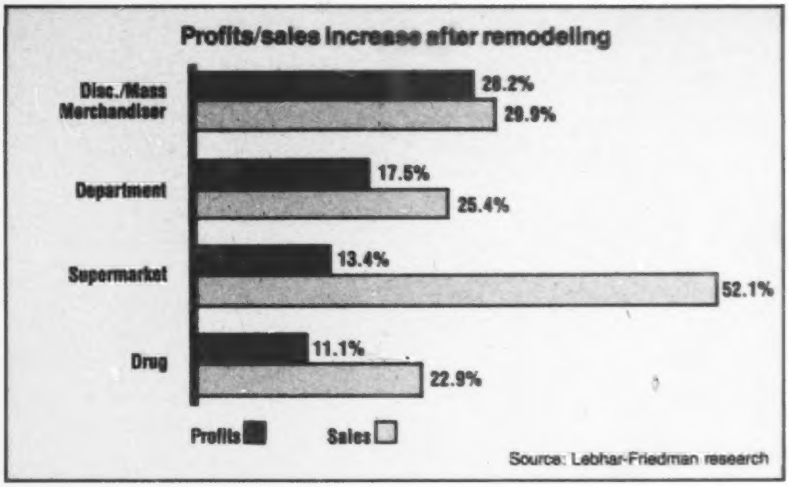
On the subject of remodeling over a period of time, 80% of the supermarkets say remodeling is done all at one time, compared with 67% of drug chains, 40% of discount/mass merchandisers, and 23% of department stores.

Not unexpectedly, 73% of the department stores remodel in phases over time, compared with 60% of discount/mass merchandisers, 33% of drug chains and 20% of supermarkets.

The study shows that 43% of the



On average, major remodeling projects cost $18.80 a square foot; minor projects average $13.23.


Profits/sales increase after remodeling

Source: Lebhar-Friedman research

department stores say that remodeling attracts customers and that business increases during the redo, compared with 37% each for discount/mass merchandisers and supermarkets and 24% of drug chains. On the other side of the coin, 34% of the drug chains say that sales drop during a remodel, compared with 11% for supermarkets and 10% each for discount/mass merchandisers and department stores.

While 33% of the stores report using both internal and external facilities, the majority of respondents surveyed (56%) assign the remodeling task to an in-house department only. Approximately one in 10 respondents (12%) rely upon outside firms for remodeling.

Discount/mass merchandisers (70%) and drug stores (70%) are significantly more likely than department stores (37%) to use an in-house department exclusively for remodeling.

Department stores utilize both internal and external remodeling facilities to a greater extent than their drug and discount counterparts. In fact, a significantly higher proportion of department stores (53%) divide the remodeling task between internal and external facilities than do drug (23%) and discount/mass merchandise (17%) stores. ■

REMODEL

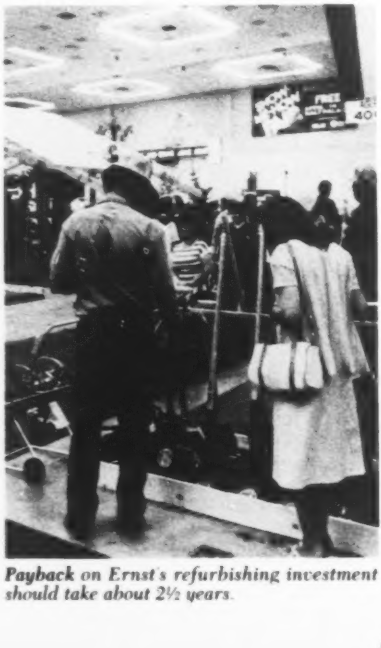
Ernst launches revamp plan

Ernst Home Centers, a 69-unit, Seattle-based chain operating in the Northwest, is embarking this month on a $13.6 million remodeling project to refurbish every store in the company.

Vern Netzer, vp-real estate and construction, says that the retrofit will begin in Washington state where 44 of the chain's stores are located. The entire program should take approximately 2½ years to complete, according to Netzer. He estimates that the payback on this investment averaging $200,000 per 35,000-sq.-ft. store, roughly $5 a square foot, will take about the same length of time.

"Most of the money will be spent on labor," says Netzer, who explains that the stores will remain open during the program and most of the work will be done at night.

The planogram for the new stores will emphasize basic product categories by eliminating sporting goods and most housewares while expanding plumbing, electrical and builders hardware departments and adding millwork. The number of sku's will be reduced in each to give more space to the highlighted merchandise.


Payback on Ernst's refurbishing investment should take about 2½ years.

Gondolas will be heightened from 5 ft. to 8 ft. in the new plan, and lighting will be changed to expose "one large sales floor rather than departments." Netzer explained that the double tube don system of fluorescent lights will extend throughout the store.

The outside lumber and nursery area (8,000 to 10,000 sq. ft.) will be enclosed in a glass or plexiglass structure at each store. The HVAC system will remain the same and will not be extended to the enclosed lumber and nursery department. "We have a complete energy management system, and it will not be affected by the remodeling," says Netzer.

Depending on local conditions some stores will get a new drop-in tile ceiling. The manufacturer has not been selected yet. Floors will remain the current vinyl asbestos tile, and the office area of each store is not being redone.

Bill Boston, vp Pay'n Save and gmm Ernst, says that the remodel is the most important change at Ernst since the Pay'n Save company acquired the home center chain in 1960. "When we're done with this, we don't think we are going to have a look that is an imitation of anybody else," he says. "We are not going to be a no-frills warehouse and we are not going to have a department store look that some people think our stores have."

One major aisle will be added to give access to key departments at each store, and walls that separated departments will be removed to give the interiors "more of an open look," says Boston.

The design and planogram for the stores is being created in-house by Ernst. With 69 stores at present and one store slated to open in 1984, the store planning team is facing "probably 25 different physcial configurations," according to Boston. Each store's design is being tackled individually.

In the revamping process, Ernst is installing a "demonstration house" in its lumber department that will "show the products we carry," says Boston. Another new feature in Ernst units will be information booths at front-end checkout stands, plumbing and electrical, paint, lumber/building materials and lawn and garden departments. In total these information areas will not take up more than a couple of hundred square feet per store, according to Netzer. ■

Chain Store Age EXECUTIVE

with Shopping Center Age

May 1984

The newsmagazine for retail operations

ISSUED IN TWO SECTIONS

ICSC, FMI, NMRI convention previews

Turnover at the top: cause and effect

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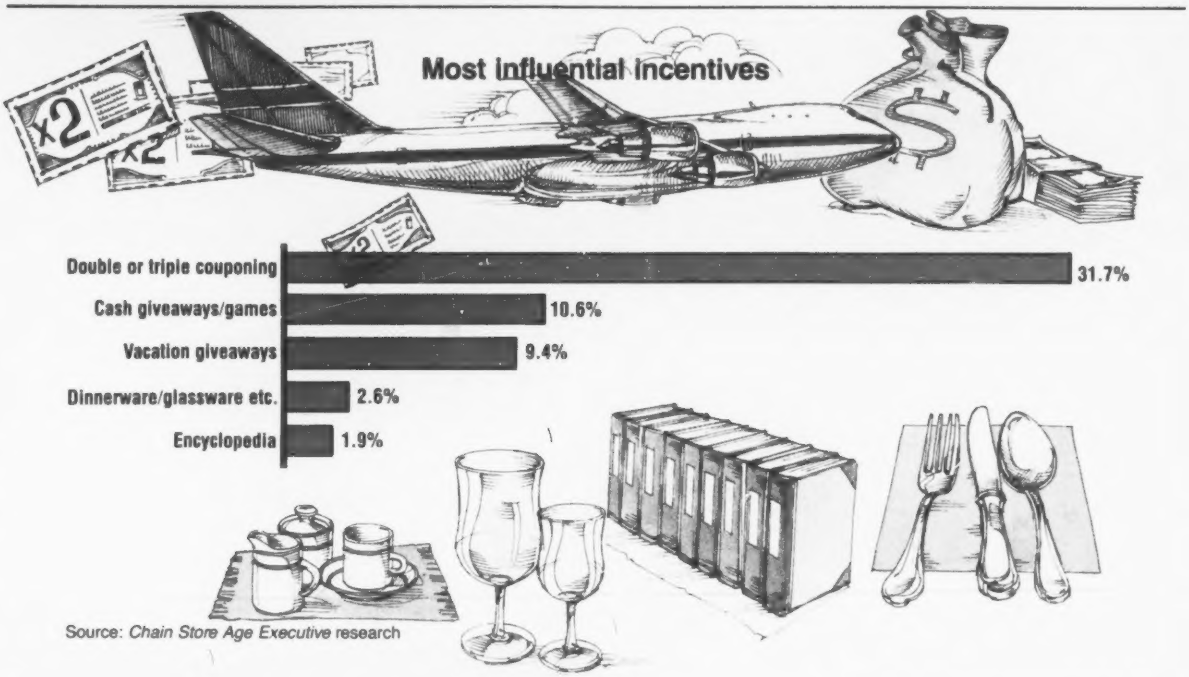


Source: *Chain Store Age Executive* research

Incentives serenade supermarket shoppers

Coupons are by far the most popular incentive, used regularly or frequently by 46% of consumers surveyed

Almost one-third (31.7%) of grocery shoppers who regularly patronize a single store are influenced to change their habitual shopping patterns by double or triple coupon incentive programs, according to an exclusive survey conducted by *Chain Store Age Executive*.

Conducted in Boston, Atlanta, Kansas City and Los Angeles, the consumer survey also found that 46% of the shoppers say they are regular or frequent users of coupons. Another 38% indicate they use coupons occasionally or infrequently, and the remainder claim they never use them.

Cash giveaways/games were mentioned by 10.6% as inducements to change their shopping patterns, followed by vacation giveaways (9.4%), opportunity to buy dinnerware/glassware/silverware at reduced prices (2.6%), and a chance to acquire an inexpensive encyclopedia (1.9%).

Other factors about supermarket customers that are revealed in the survey include:

- Two-thirds (66.3%) shop at one food store most often.
- A total of 40% have weekly food store bills of $45 or less, with 35% reporting bills of $45 to $75, and 25% spending over $75.
- They shop an average of 6.5 times a month, with shopping trips most frequent in Los Angeles at 7.9 times, Boston, 5.8 times, Kansas City 6.3 times and Atlanta, 6.2 times.
- Average weekly food bills for the respondents is $53.90, with Los Angeles the highest at $59.70. It is higher for regular/frequent users of coupons who spend $55.80 than for occasional/infrequent users ($53.95), and those who never use coupons ($48.60).

Respondents were confined to the primary food shoppers in the household, and the breakdown was 75% female, and 25% male. Of the total, 65% are married and 59% are at least part-time employed.

Among the selected factors judged as "extremely/very important" in the decision to shop at a particular store, cleanliness is cited most often by the respondents, with 88.85%, closely followed by price at 84.5%. Next comes selection of merchandise, cited by 78.8%, courtesy of employees, 72%, speed of checkout, 70.5%, distance from home, 61.3%, atmosphere of store, 51.8%, and butcher on premises, 37.5%.

Women are more sensitive than men to all of these factors except courtesy of employees, noted by 73.5% of the men and 71.5% of the women, and distance from home, cited by 60.4% of the men and 54% of the women.

Special incentive programs being offered by the store (double coupons, special gifts) are cited by only 36.5% of the respondents as "extremely/very important" in this decision. This is much more important to the group spending $45 or less weekly, cited by 41.8%, than for the $45 to $75 group, cited by 34.8%, or the over $75 per week group at 31%. Presumably, a significant portion of the lower spending group has limited budgets for grocery shopping and therefore actively pursues opportunities to control grocery costs—or get greater value for their dollars.

Of the 66.3% of the respondents who shop one store most often, 87.9% travel three miles or less to their "usual" supermarket and on the average they travel 1.7 miles. The

Of the 84% using coupons, 27.8% use them on every shopping trip, 18.3% use them on 3 out of 4 trips

Coupon usage

	Sex		Weekly expenditures			Shop one store most often		Marital status	
	M	F	Low	Med.	High	Yes	No	M	S
On a regular basis	24%	87%	38%	51%	22%	77%	34%	79%	32%
On a frequent basis	14	59	22	27	23	51	22	54	19
On an occasional basis	20	63	36	27	20	52	31	50	32
On an infrequent basis	25	45	28	21	21	50	20	41	29
Never use coupons	19	44	34	15	14	35	28	32	30

Source: *Chain Store Age Executive* research

Reasons for coupon use

	Sex		Weekly expenditures			Shop one store most often		Marital status	
	M	F	Low	Med.	High	Yes	No	M	S
Savings	42.3%	29.6%	26.5%	39.6%	27.0%	25.6%	47.4%	32.1%	32.5%
Greater availability of double couponing/ coupons offering larger discounts	15.4	25.5	32.4	22.6	16.2	20.9	28.9	27.4	15.0
More coupons are being offered	15.4	15.3	17.6	13.2	16.2	16.3	13.2	16.7	12.5
Finding more coupons for items used regularly	11.5	14.3	11.8	13.2	16.2	17.4	5.3	13.1	15.0
Prices are higher	23.1	11.2	8.8	11.3	21.6	10.5	21.1	10.7	20.0
Looking for coupons for items used regularly	7.7	14.3	8.8	13.2	16.2	14.0	10.5	15.5	7.5
More cost conscious	11.5	12.2	14.7	13.2	8.1	9.3	18.4	11.9	12.5

Source: *Chain Store Age Executive* research

distance is slightly greater in Atlanta, at 2.2 miles, followed by Kansas City, at 1.9 miles, Boston at 1.6 miles and Los Angeles with 1.5 miles the average.

Among this same group, the factor that most influences them to shop at a store "other than usual" is "lower prices/sales/special incentives" cited by 52.1%. This is followed by convenience, mentioned by 28.3%, and variety/selection/hard to find items, 21.5%.

Factors which appear to be much less important include "selected items are better at other locations," cited by only 7.5% and favorable store environment, 4.9%. Four-and-a-half per cent report that they do not shop at other stores, 6.4% mentioned miscellaneous factors and 5.3% either didn't know or had no answer.

Throughout the survey, results indicate that singles are much less sensitive to the cost aspects of supermarket shopping than is the married group. For example, 56.7% of the married shoppers cited lower prices as an important influence, compared with only 45% of the single group.

For the singles, with price being less of an issue, convenience plays a major role for 34%, compared with only 25% of the married group.

The singles are also most sensitive to the breadth and quality of merchandise selection. This is shown by the fact that 9% of them view the fact that selected items are better at other locations as a major influence in persuading them to shop at a store other than the usual, compared with 6.7% of the married group. Favorable store environment is also more important to the singles, 7%, compared with 3.7%.

When asked to note the types of supermarket incentives that are "extremely/very influential" in persuading them to shop at a different supermarket than the usual destination, of the respondents who shop one store most often, 31.7% cited double or triple couponing. This is particularly important to those shoppers who spend over $75 a week, noted by 36.9% of this group.

Supermarkets which think that they can broaden their geographic base by offering an incentive may have the wrong idea. The survey shows that even when attracted by stores offering an incentive, only 28.7% of those who now regularly shop at only one store are willing to shop farther. Of this group, 64.3% are willing to travel only three or fewer additional miles.

Looking at the 84% of the respondents who say they use coupons to some degree, 27.8% report that they use them on a regular basis, (i.e., every shopping trip), while 18.3% use them on a frequent basis (3 out of every 4 shopping trips), 20.8% use them on an occasional basis (for approximately 2 out of every 4 shopping trips), while 17.5% say they use them on an infrequent basis (for approximately 1 out of every 4 shopping trips). The remaining 15.8% of the respondents never use coupons.

Coupon usage, according to the survey results, appears to be highest in Boston, with 54% of the respondents there saying that they use coupons on a regular or frequent basis. Boston is followed by Los Angeles, with 48% falling into these two combined categories, Kansas City, with 43%, and Atlanta with only 37%.

Somewhat surprisingly, the group most likely to use coupons on a regular basis appears to be those with weekly food bills of between $45 and $75. However, combining regular and frequent users, the percentages stand at 55% for the over $75 spenders and 54.3% for the $45 to $75, followed by 38% for the $45 or under.

The usage patterns of the $45 or under group, compared to other spenders, is somewhat of a contradiction to the earlier finding that shows they are the most sensitive to the offering of special incentive programs as being extremely/very important in their decision to shop at a particular store.

Of those reporting that they use food coupons on at least a limited basis, 36.8% say that they have increased their coupon usage during the past year, while 51.9% say it has remained the same, and 11.3% report a decrease.

The largest regional increase, 40.2%, was reported in the Kansas City area (a particularly competitive market recently with the expansion of so many large-scale warehouse type operations), followed by Boston with 37%, Atlanta with 36.1% and Los Angeles with 33.7%.

Among the three groups of shoppers who are categorized according to weekly food bills, the largest increase was in the over $75 a week category, at 43%, followed very closely by the $45 to $75 group with 42.1%. The $45 or under group increase was only 27.4%.

In particular, male shoppers seem to be becoming more aware that using coupons can cut down on weekly food bills. Greater awareness of savings to be derived from coupon usage was noted by 42.3% of the male shoppers in the survey, compared with the women at 29.6%.

Recognition of this benefit was also substantially higher among those who do not shop one store most often, at 47.4%, than among those who do, mentioned by 25.8%.

Other reasons, in order of mention, include availability of double couponing/coupons offering larger discounts, cited by 23.4%, more coupons being offered/coupons more visible, conspicuous in mail, newspaper, 15.3%, finding more coupons for items used regularly, 13.7%, prices are higher, 13.7% (23.1% of the men compared with 11.2% of the women), looking for coupons for items used regularly, 12.9%, more cost conscious/financial situation has changed, 12.1%, all other mentions, 8.9% and don't know/no answer, 1.6%.

Also among those who use food coupons, 41.2% of the respondents say that they are very likely to shop at stores in their area offering double couponing, while an additional 19.9% are extremely likely, 21.4% are very likely and 31.2% are somewhat likely. In addition, 15.7% are not too likely and 11.3% are not at all likely.

Comparing the different market areas, in Boston 46.9% of the users there said they are very likely, compared with 41.4% in Kansas City, 40.7% in Los Angeles and 36.1% in Atlanta. Boston also ranked highest among those saying "extremely likely."

The majority of food coupon users, 59.6%, perceive stores with double couponing as offering a good value. This is particularly true in the Kansas City area, with 69% indicating this, compared with 62.8% in Los Angeles, 53.1% in Boston and 53% in Atlanta.

The survey shows that 69.4% of the shoppers spending $45 or under weekly are considerably more likely to perceive stores as offering values, compared with 57.1% for the $45 to $75 group and only 50% for the over $75 a week group. There is also a significant difference among the single shoppers, at 73.2% compared with the married shoppers at 52.7%.

However, if such stores decide to stop offering double couponing at any time in the future, they may discover that their marketing effort has backfired. Following offering a good value, 29.7% of the survey group perceived that stores which offer double couponing feature "higher regular prices."

This attitude is particularly prevalent in the Boston area, cited by 40.7% of the respondents, compared with Atlanta, cited by 28.9%, Kansas City, cited by 27.6% and Los Angeles, cited by 22.1%.

Again, the perception of featuring higher regular prices is also highest among the $45 to $75 per week spenders, at 35.7%, compared with

Only 2.1% of the user group believes that supermarkets offer double couponing as a gimmick

Finding out about incentives

	Sex		Markets				Coupon usage			Marital status	
	M	F	Boston	Atlanta	Kansas City	L.A.	Frequent	Infrequent	Never	M	S
Newspaper ads	72.5%	66.8%	64.0%	61.0%	70.0%	78.0%	73.9%	64.1%	61.9%	68.8%	67.6%
Supermarket flyer	22.5	31.9	45.0	34.0	21.0	18.0	35.9	27.5	15.9	30.9	27.5
Store signs	24.5	28.2	14.0	28.0	47.0	20.0	26.1	26.8	31.7	27.7	26.8
Television ads	19.6	14.4	10.0	19.0	17.0	17.0	18.5	15.7	7.9	15.6	16.2
Word-of-mouth	5.9	7.7	6.0	8.0	10.0	5.0	9.2	5.9	4.8	8.2	5.6
Radio ads	6.9	2.3	2.0	2.0	2.0	8.0	3.8	2.6	4.8	2.7	4.9

Source: *Chain Store Age Executive* research

Perception of stores with double couponing

		Markets				Weekly expenditures			Marital status	
	Total	Boston	Atlanta	Kansas City	L.A.	Low	Med.	High	M	S
Offering a good value	59.6%	53.1%	53.0%	69.0%	62.8%	69.4%	57.1%	50.0%	52.7%	73.2%
Featuring higher regular prices	29.7	40.7	28.9	27.6	22.1	23.4	35.7	30.2	34.4	20.5
Using it as a gimmick	2.1	2.5	2.4	1.1	2.3	0.8	2.4	3.5	2.7	0.9
Being competitive	0.6	—	—	—	2.3	0.8	—	1.2	0.9	—
Untrustworthy/must be making money by other means	0.6	1.2	—	—	1.2	—	0.8	1.2	0.4	0.9

Source: *Chain Store Age Executive* research

Major influences altering shopping patterns

	Total	Markets				Weekly expenditures			Marital status	
		Boston	Atlanta	Kansas City	L.A.	Low	Med.	High	M	S
Lower prices/ sales/ incentives	52.1%	50.0%	60.3%	51.7%	45.9%	41.9%	51.6%	58.5%	56.7%	45.0%
Convenience	28.3	29.3	20.5	35.0	29.7	34.0	28.0	20.0	25.0	34.0
Variety/ selection	21.5	24.1	13.7	21.7	27.0	17.9	22.6	24.6	22.6	20.0
Items better elsewhere	7.5	10.3	5.5	3.3	10.8	6.6	7.5	9.2	6.7	9.0
Favorable environment	4.9	1.7	4.1	8.3	5.4	5.7	2.2	7.7	3.7	7.0

Source: *Chain Store Age Executive* research

Incentives used most frequently in market area

	Total	Markets				Marital status	
		Boston	Atlanta	Kansas City	L.A.	M	S
Double or triple couponing	70.5%	71.0%	50.0%	81.0%	80.0%	73.0%	66.2%
Dinnerware/glassware/ silverware, etc.	40.5	30.0	59.0	40.0	33.0	45.3	32.4
Cash giveaways	27.8	2.0	34.0	35.0	40.0	28.1	27.5
Inexpensive encyclopedia	18.0	6.0	30.0	19.0	17.0	19.1	16.2
Vacation giveaways	17.8	3.0	23.0	19.0	26.0	18.4	16.9
Sales	2.5	6.0	1.0	1.0	2.0	2.3	2.8
Stamps	0.8	—	3.0	—	—	0.4	1.4
Buy one get one free	0.5	—	—	1.0	1.0	0.8	—

Source: *Chain Store Age Executive* research

30.2% of the over $75 group and 23.4% of the $45 and under group. In addition, it is more often believed by the married shoppers, 34.4% more than the singles, 20.5%.

Only 2.1% of the user group believes that supermarkets are offering double couponing as a gimmick, and only 0.6% believe that supermarkets doing this are simply being competitive or that they are untrustworthy/ must be making money by other means. All other mentions are 1.5% of the total, and don't know/no answer accounts for 11.6%.

Despite some reports to the contrary, an overwhelming 96.4% of the respondents report that they are satisfied with the way checkers handle coupons.

Previously, there had been reports in the industry that some consumers appeared to harbor resentment regarding the slowness of coupon handling at the supermarket checkout.

The survey respondents perceive double or triple couponing as quite clearly the type of incentive used more frequently in their area, seen by 70.5% of the total, broken down to 68.8% of the women and 75.5% of the men.

The results also indicate that double or triple couponing is most widely perceived in the Kansas City market, with an increase seen by 81% of the respondents. This is very closely followed by Los Angeles, with 80%, and then by Boston with 71% with Atlanta trailing at 50%.

Most shoppers find out about the special incentive programs being offered through newspaper ads, mentioned first by 68.3% of the respondents.

These are a particularly important source of information for those who do not shop one store most often, mentioned by 78.5% compared with 63% who regularly shop at one store.

Supermarket flyers stand next in importance, but far down in ranking, cited by only 29.5% of those surveyed. They are followed by store signs, with 27.3%, television ads, 15.8%, word-of-mouth advertising, 7.3% and radio ads, 3.5%.

Again, when it comes to reaching shoppers there are major differences between male and female customers when it comes to specific media. Television ads and radio ads both appear to be more effective in reaching male shoppers than female shoppers.

The mentions of television ads, for example, are 19.6% for the men and 14% of the women, while they are 6.9% and 2.3%, respectively, for radio ads.

When all of the survey participants were asked whether supermarkets in their area offer more, the same or less double or triple couponing than they did five years ago, 58.8% reported more, 20.8% reported the same and 9.3% reported less.

Following couponing is cash giveaways, with 26.5% saying more, 32.8% the same and 20.5% fewer.

Also cited were the following: dinnerware/glassware/silverware, etc., available at reduced prices, with 22.8% seeing more such offerings, 41.3% the same and 18% less; vacation giveaways, with 19.5% claiming more, 30.3% the same and 26% less, and inexpensive encyclopedia sets, with only 13% reporting more, 36.3% reporting the same and 26.5% less. ■

LABOR

Management and unions: A supermarket tug of war

If the relationship between supermarket operators and their unions is described as a tug of war, then the balance of power so far this year may be leaning ever so slightly to the side of management.

Yet, indications are that both sides will continue to exhibit a hard-line approach at the bargaining table during the remainder of what has shaped up as a particularly hectic year for supermarket industry labor negotiations.

"In terms of the number of contracts and the number of employees involved, this is one of the busiest years in recent memory," says Nicholas Fidandis, chairman of the Joint Labor-Management Committee of the Retail Food Industry. Not only are the "normal" three-year contracts coming up for renegotiation, but, because of the relatively weak health of many supermarket companies in the past few years, "There are also more short-term, two-year term and one-year term contracts up for renegotiation this year than is the norm. These are all expiring at the same time," he explains.

Among the major contracts coming up for renegotiation this year are the following:

- Contracts covering 70,000 south-

DO NOT ENTER
GIANT EAGLE Employees ON STRIKE

Giant Eagle workers in Pittsburgh won concessions similar to requests made by Kroger.

AP/Wide World Photos

ern California clerks at nine locals that expire in July.

- Master contracts covering most of northeastern Ohio, expiring in Cleveland in September and Akron in October. (This is the expiration of a one year pact negotiated last year.)
- Contracts between major supermarket operations and clerks and meatcutters expiring this month in the Atlanta area.

At stake, contends supermarket management, is survival of union operations in an increasingly competitive marketplace made more so by the rapid proliferation of superwarehouse supermarket operations.

By the end of this year as many as 300,000 supermarket workers will have been involved in some type of collective bargaining. This number includes over 200,000 members of the United Food and Commercial Workers Union (UF&CW) involving 36 separate contracts. (The other major labor body in the supermarket industry is the Teamsters Union.)

During the worst of the recession, and particularly in the short-term contracts, union locals granted numerous givebacks and rollbacks to many supermarket companies. But this recovery year, in approaching the bargaining table, the official UF&CW line is that "Now there is going to be less concessionary bargaining than in the past. We believe that there's been enough already," says William Wynn, international president of the UF&CW. He does concede, however, that "there may be isolated exceptions, depending on circumstances."

As for whether this new approach will result in more labor disputes erupting in the industry, Wynn claims that it's not up to his union locals, but rather dependent on the attitudes of management. "If employers are going to be aggressive and so demanding in their positions that certain things have to happen, then we are going to have record disputes," he says.

In the supermarket industry, labor at union operations amounts to as much as 70% of total costs

On the other side, unofficially supermarket management is taking the position that controlling labor costs continues to be essential to their survival, and that often still means requesting concessions from the union.

The supermarket industry is the most labor-intensive area of retailing, with labor costs at union operations amounting to as much as 70% of total costs.

Meanwhile, the industry continues to operate on slim profit margins often averaging less than 1%.

It is hard enough to survive with such numbers under typical conditions, but it is becoming even harder due to the changing nature of the supermarket industry itself. First, the growth of nonunion operations has siphoned off customers in some markets who, understandably, are attracted by the lower prices such stores are able to offer. (Even in the cases where a supermarket operation new to the area has recently become unionized, the union is usually forced to accept lower payments just to get in the door.)

Secondly, the growth of the superwarehouse chains is changing the entire complexion of the industry. While some of these operations are unionized, their labor costs are still lower (again because the union is new in the operation). Most importantly, though, the very nature of this business offers formidable price (and selection) competition to more traditional supermarkets.

"In a micro-aspect, we are seeing what's happened in the world happening in the food industry. Because the market is so competitive, companies are less able to pass costs on to consumers," says Fidandis. "This is analogous to the food industry where there is less margin for supermarkets to compete."

This means that when coming to the bargaining table, management is reflecting the local market situation to a great degree. With increasing competition, stores are being held more accountable for their labor costs.

One of the prime examples so far this year is the situation that Kroger found itself in in the Pittsburgh market. Contending that its labor costs were higher than those of competing supermarkets, Kroger asked Local 23 of the UF&CW for certain wage, benefit and work-rule concessions.

These were proposed in a three-year agreement Kroger offered to the union to replace a contract that ex-

***A strike by Foodtown's** meatcutters resulted in a new 41-month contract.*

pired Jan. 8. Instead of agreeing to the concessions, the union members voted the proposal down and struck the 45 Pittsburgh stores on Jan. 15.

Included in Kroger's request was a proposal for wage cuts of about $2 an hour for the majority of its employees. This request was similar to concessions granted by the union last fall to Giant Eagle Markets, a competing chain based in Pittsburgh. Many other supermarkets in the Pittsburgh market pay still lower wages.

In the past, when failing to negotiate what management felt to be competitive labor contracts with several other union locals, Kroger took the hard line approach, closing down its supermarkets in those market areas.

Kroger warned the union that it would do the same thing in Pittsburgh and then carried out its threat. In February it sold its stores in the Greater Pittsburgh Area to Wetterau, one of the nation's largest food wholesalers. Wetterau, in turn, is selling the Pittsburgh stores to local independent owners.

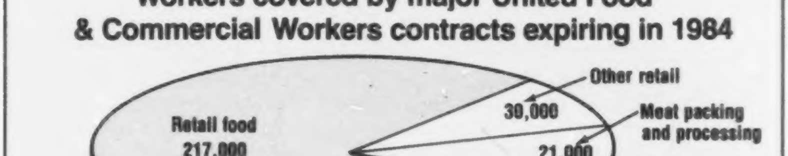
For the fiscal year ended Jan. 31, 1984, Kroger reported a sharp 34% drop in earnings, down to $127.1 million from $192.1 million in 1982. In reporting these figures, Kroger cited increased competition in many of its markets, including increased operating costs. It also indicated that it will continue to seek "adjustments" in other union contracts, just as it did in Pittsburgh.

Skyrocketing health care costs are a major issue in many negotiations taking place this year

(Kroger fared better in the Houston market where UF&CW Local 455 approved a contract for approximately 7,000 clerks. The terms, including a wage cut of approximately 36¢ an hour, bring Kroger's rates now in line with the $11.06 an hour being paid by Safeway and Lucky's Eagle division with which the union had earlier worked out similar agreements.)

The situation at Jewel Foods, the Chicago-based supermarket chain, provides another illustration of how cost pressures are affecting the industry. Although Jewel holds the largest market share in the Chicago area, it is facing increasingly sharp competition from superwarehouse operations such as Super Valu's Cub Foods and from warehouse operations such as A&P's Super Plus and Roundy's Pick 'n Save.

Workers covered by major United Food & Commercial Workers contracts expiring in 1984



Source: UF & CW

While warehouse stores are able to offer lower prices through a variety of operating efficiencies, it is believed that their biggest savings come through labor rates.

Most of the warehouse employees are new, working at entry-level wages of $4.20 to $4.40 (even in the case of union operations). In comparison, most of the employees at Jewel (and also at Dominick's Finer Foods, Chicago's second largest chain) are at high-seniority levels. Clerks, after five and a half years at these operations, earn $10.90 an hour, making them among the highest paid supermarket clerks in the country.

In order to compete, Jewel Foods has taken the unprecedented step of demanding concessions from members of its union, UF&CW Local 881, despite 16 months still to run on existing contracts. Wages have been cut and benefits, specifically vacation time, have been reduced. Jewel claims that such concessions are absolutely necessary to its survival.

Already, the warehouses have taken over from 4% to 5% of the Chicago market, and Jewel is predicting that they may have as much as 15% by 1985. In order to compete, Jewel is offering lower prices—and that means the labor costs must be lowered too. While not actually believing the same thing will happen in Chicago, Jewel hasn't forgotten what happened several years ago in Milwaukee. There, Jewel had 14% of the market and continued to operate as usual when Pick 'n Save came to town. Jewel no longer operates in that market; it was squeezed out.

Wynn claims that in cases like Jewel's "the union will be willing to sit down and listen." However, Fidandis points out that "Management is going to have to show the unions more of the rationale for such requests." But he is optimistic. "To a large extent, when this is done, once the unions are satisfied that there is legitimacy to the request, unions are receptive in most areas."

He adds that by being willing to work more with management "union members are showing that they now have a more sophisticated awareness of what's happening in the world."

A different sort of situation from the types of competitive pressures cited in the Kroger and Jewel situations erupted early this year in northern and central New Jersey and in two New York City area counties. The issues raised there are the same issues likely to play a major role in collective bargaining in the supermarket industry throughout this year.

Management negotiators, representing Pathmark, ShopRite, Grand Union and Foodtown, offered 7,000 meatcutters, members of UF&CW Local 464A, a new three-year contract. This included average annual wage increases of reportedly 5%, plus concessions in health care benefits and work rules to help offset some of the increase. The union turned down the proposal and struck on Jan. 8.

Major contracts expiring in remainder of 1984

Meatcutters	
Atlanta	**May 25**
Detroit	**August**
Miami	**August 9**
Cleveland	**September 2**
Retail Clerks	
Atlanta	**May 19**
Los Angeles	**July 29**
Detroit	**August 4**
Miami	**August 9**
Cleveland	**September 2**

Source: UF & CW

The strike finally ended on Feb. 10 when the union agreed to a contract raising wages by approximately 6% (the union had originally asked for a 7% increase) plus increases in health care benefits. The term of the contract is 41 months, six months longer than the old contract.

Management, in turn, won major concessions which scale down guaranteed overtime for union employees and reduce the Sunday pay premium to 2.25 times the hourly wage, from 2.5 times. This is expected to increase productivity in the stores by allowing management more flexibility in having personnel present at the busiest times. This increased productivity is expected to offset the costs of increased wages and increased benefits.

The largest of this year's labor contracts expires on July 29, with negotiations affecting 70,000 supermarket workers, and perhaps as many as 100,000 people, according to Wynn.

Unofficially, industry observers claim that management expects to have a very strong bargaining position, considering the nation's economy and the patterns of previous contracts. If the chains don't get the contracts they claim they need, reports are that some may consider taking the nonunion route (the southern California supermarket industry remains one of the most heavily unionized in the country).

Wynn says only that "We are hopeful in southern California that we can have a resolution of negotiations without a dispute, but obviously we are not sure yet of the outcome." Fidandis points out that the UF&CW has very knowledgeable union leadership handling negotiations in southern California (where nine union locals are involved) and this should help ease the process.

The major issue in these negotiations, as in many other negotiations taking place this year, is the question of how to deal with skyrocketing health care costs. (Also at issue in California will be a guaranteed percentage of full-time jobs for union members in what has increasingly become a part-time marketplace.)

Employers generally prefer to reduce benefits while labor wants to negotiate to hold down costs. To find an equitable solution to this dilemma, the Joint Labor-Management Committee has launched a health care cost containment subcommittee to look into the problem.

The members have selected two cities, Providence, R.I., and St. Louis, and will report to local trustees of health and welfare funds in each of these cities recommendations on how they might better manage health care costs.

"Hopefully, by the end of the year the committee will be ready to make specific recommendations," says Fidandis. "These are test programs and it is possible that we will be exploring how to better manage health care costs in other cities. But, in the meantime, we will make available our findings to fund managers in other cities."

The Joint Labor-Management Committee of the Retail Food Industry was formed in 1974 "to improve the collective bargaining process, to promote dialogue between management and labor, to prevent unnecessary strikes and to address the common problems of the food industry," explains Fidandis.

It is comprised of a total of 13 supermarket companies, including Safeway, Kroger and Lucky, plus the two major unions.

Generally, the committee meets to offset problems before they happen and does not get involved in actual negotiations. The exception is when disputes occur.

This year, the committee may be busier than ever. ■

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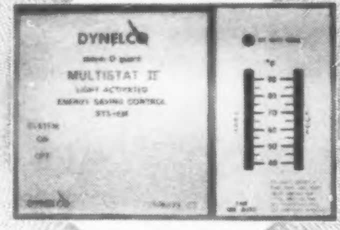

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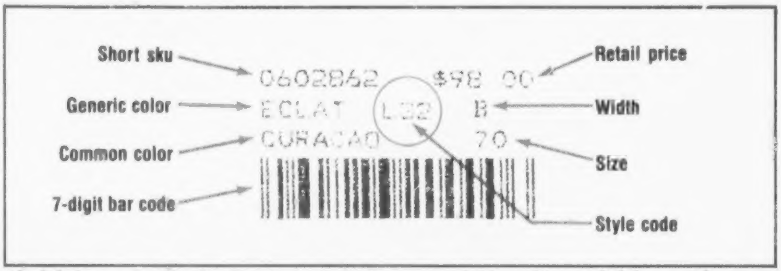
puter with Frame III software, seven video display terminals and two printers. Jourdan selected the Qantel system, says Lezcano, in 1982—after concluding that only a turnkey package would fill the bill.

"Everyone" advised that Jourdan adopt the IBM System 34, because "it was proven," says Lezcano. "It worked. But we didn't want to develop our own software."

Only Qantel offered an existing program to fit Jourdan's needs, according to Lezcano. "It was a turnkey system, and that's very important to a lay person," he adds. "The only thing I knew about a computer was how to spell it."

Jourdan went on-line in July 1983, with seven stores. "Almost as soon as we went on-line," says Lezcano, "we were able to produce sales information in 25% of the time that it took when we collected information manually. We could get up-to-the-minute reports on best-selling styles, store by store, as well as confirmation of some traditional top sellers—such as black hosiery for women."

Inventory control and management information reports will become even more important to Jourdan in the near future. In the next four years, the chain plans to increase its store count by 40% and its retail sales (currently $20 million a year) by more than 66%, according to Lezcano. By the end of 1984, when the chain will embrace 22 locations, all stores should be on-line. ■



***The label in use at Charles Jourdan** includes human-readable and bar-coded data, so that store-level personnel can identify merchandise in stock at a glance.*

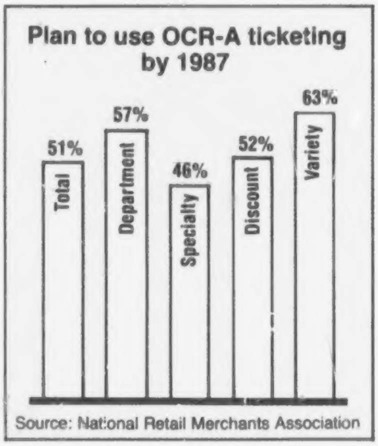
OCR-A—Because It's Not Peas

While Charles Jourdan has managed to develop a seven-digit bar code capable of carrying all the data it needs to identify each sku in its inventory, the accomplishment does not necessarily represent a brave new world for general merchandisers who want to be able to bar-code their merchandise. Not yet, anyway.

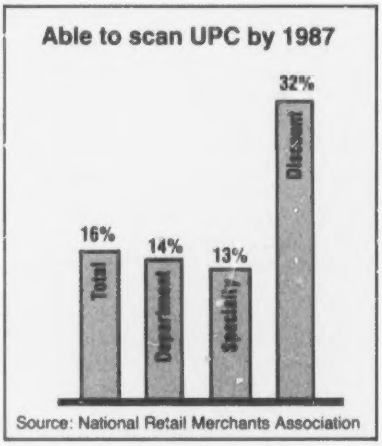
According to Joseph Miller, director, OCR-A standards program for the National Retail Merchants Association, fitting even a single large apparel vendor's line into a bar code might require a 30-digit format. "It's not like identifying cans of peas," he quips, referring to the five-digit, Universal Product Code standard that grew up in the grocery store sector. "In men's jeans, for example, given three colors, four sizes of inseams, and probably 26 waist sizes for each style, you've got more than 300 items of inventory to account for. And that's just one style."

The shoe industry faces a similar problem, says Miller. "Of course, it depends on the number of lengths and widths that you want to carry—but if you figure four to 12 widths, about 30 different lengths and a number of colors—two would be the absolute minimum—the only way to fit it all into a bar code is to make it intolerably long."

Miller is a vocal proponent of the OCR-A, human-readable standard for the general merchandise industry, and he's not alone. Norman Weiser, who joined Morse Shoe recently as vp and director of MIS, agrees that the sheer magnitude of general merchandise inventory management—particularly in the department store environment—all but rules out the exclusive use of bar codes for scanning.


Plan to use OCR-A ticketing by 1987

Source: National Retail Merchants Association


Able to scan UPC by 1987

Source: National Retail Merchants Association

"A large supermarket," says Weiser, "deals with maybe 20,000 to 25,000 items. A department store carries close to half a million. There is really minimal seasonality with the 'striped' goods; general merchandise stores, on the other hand, have over 40% of their items with a life cycle of less than 13 weeks, and specialty stores run a much higher percentage. A typical supermarket company deals with about 500 vendors—department store and specialty retailers deal with 12,000 to 15,000 vendors."

Beyond that, says Weiser, the bar code was developed largely to reduce long checkout lines. But for most of the year, long checkout lines are not that big a problem in department and specialty stores.

Finally, says Weiser, the fact that OCR-A is human-readable represents a big advantage. "OCR-A immediately shows the price. That's important to me, to the buyer and the sales manager, or the salesclerk who's just looking over my stock."

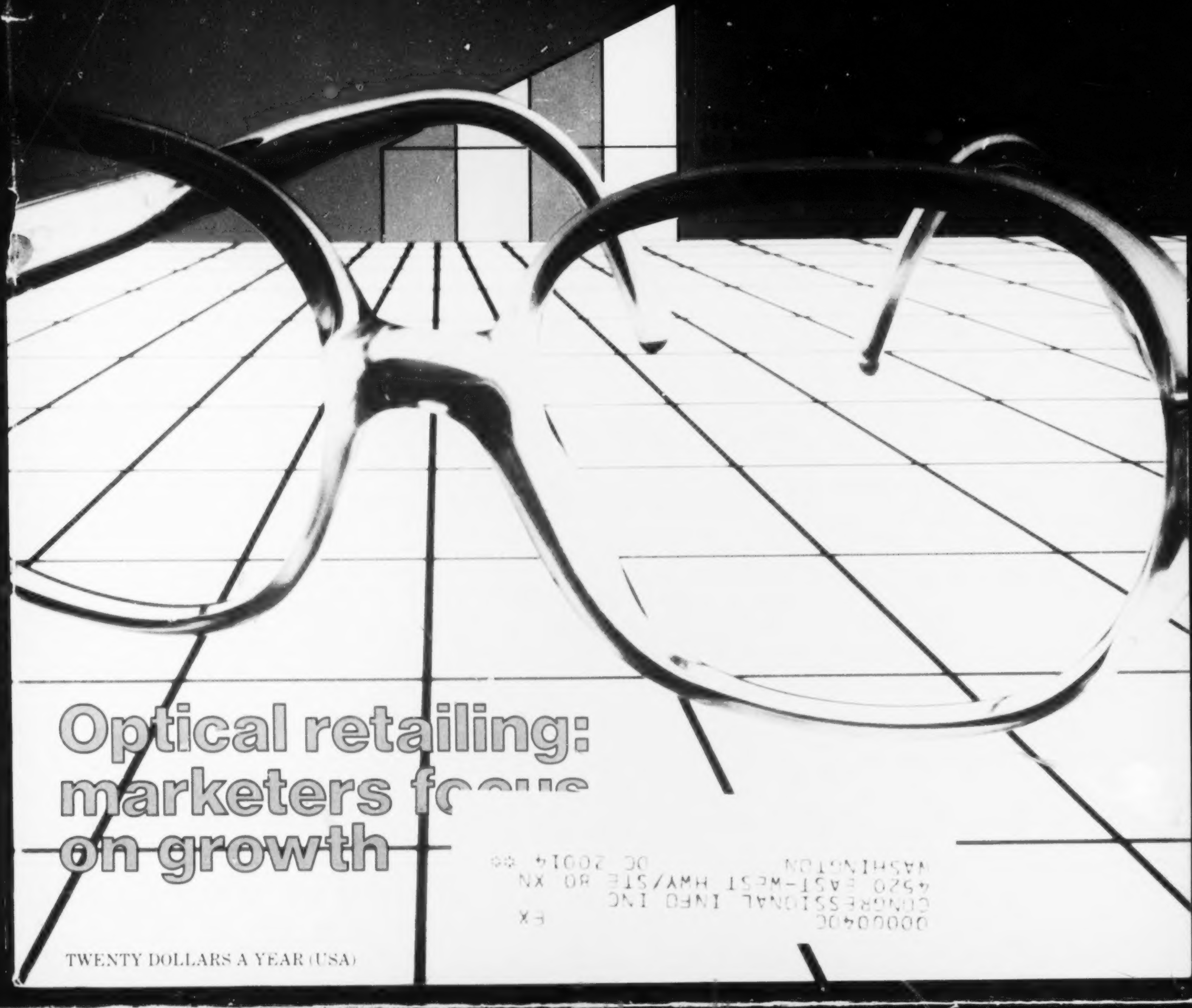
Human-readable code, he maintains, "still tells the consumer and the retailer how much the item costs. We know very easily the department, class of goods, vendor, the style, how old it is, even the season. And the human-readable code can readily identify size and color." ■

Chain Store Age EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations

June 1984

Exclusive warehouse distribution survey

C5150-11



Optical retailing: marketers focus on growth

TWENTY DOLLARS A YEAR (USA)

Chain Store Age EXECUTIVE Volume 60, No. 6/June 1984

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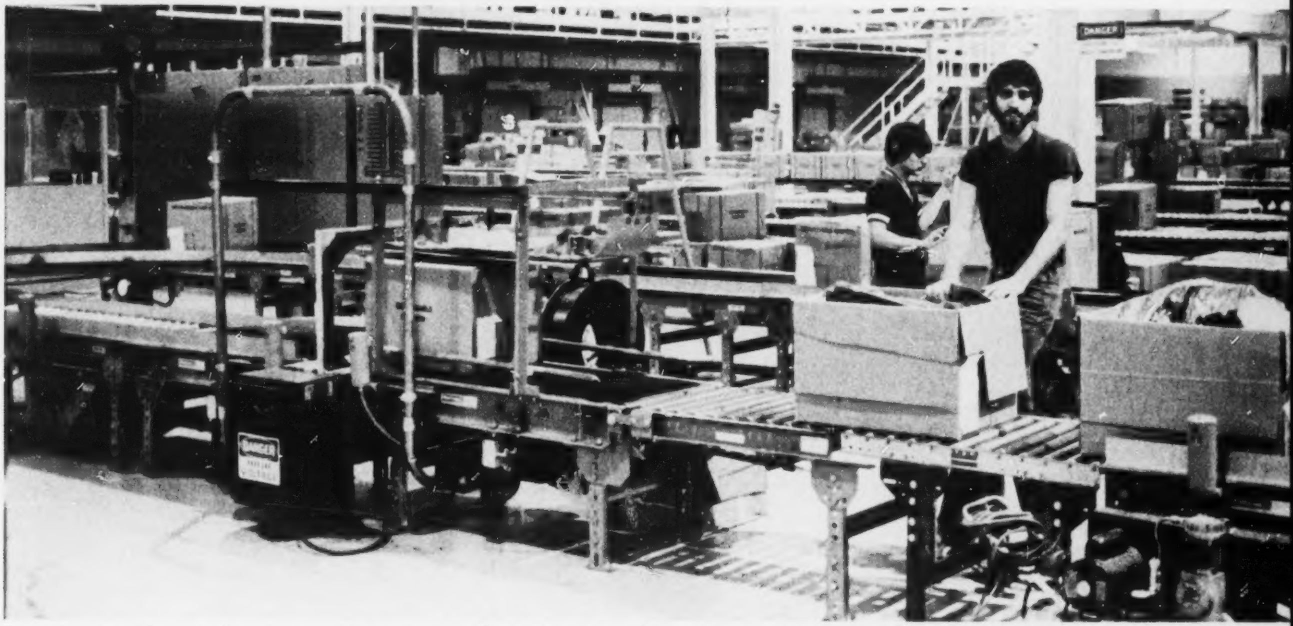
Chain Store Age EXECUTIVE June 1984



Chain Store Age Executive's ***survey reports*** *an average of 8.3% of total capital expenditures are being spent on distribution this year.*

DISTRIBUTION

Capital expenditures on the rise

Chain Store Age Executive's exclusive survey shows retailers pumping 48% more into their distribution budgets

Retailers are predicting a 48% increase in the distribution portion of their total capital expenditures in just two years, according to a survey taken by *Chain Store Age Executive*.

Expansion appears to be the major reason for the increase in spending. Adding more square footage to the distribution network is essential to keep pace with expanding networks of stores. Every class of retailer queried for the survey indicated that total distribution square footage will increase in 1984.

In addition to expenditures, the survey also examines:

- Construction costs per square foot.
- Productivity per square foot and per employee in distribution centers.
- Use of computer systems for receiving, pricing/ticketing, picking, shipping and sorting in distribution centers.
- Transportation, including equipment that is owned, leased or third party.

The survey shows that an average of 6.7% of capital expenditures were spent on distribution in 1983, and all categories of retailers are predicting an average of 8.3% this year and 9.9% in 1985.

All indications are that distribution managers are struggling to process greater and greater amounts of merchandise in a timely fashion while keeping the lid on costs.

As a result, most chains that are increasing distribution capacity will do so through expansion of existing buildings rather than new construction.

Since new construction costs an average of 13% more than expansion of existing facilities, the survey shows that 75% of the retailers who plan to increase distribution space in 1984 will do so by enlarging their present centers.

Only 18% of the chains surveyed plan new construction of distribution facilities in 1984. The total amount of newly constructed distribution space that will be added in 1984 averages 309,000 sq. ft. per chain. The amount of space to be added by expansion of existing facilities averages 67,000 sq. ft. per chain for all retailers surveyed.

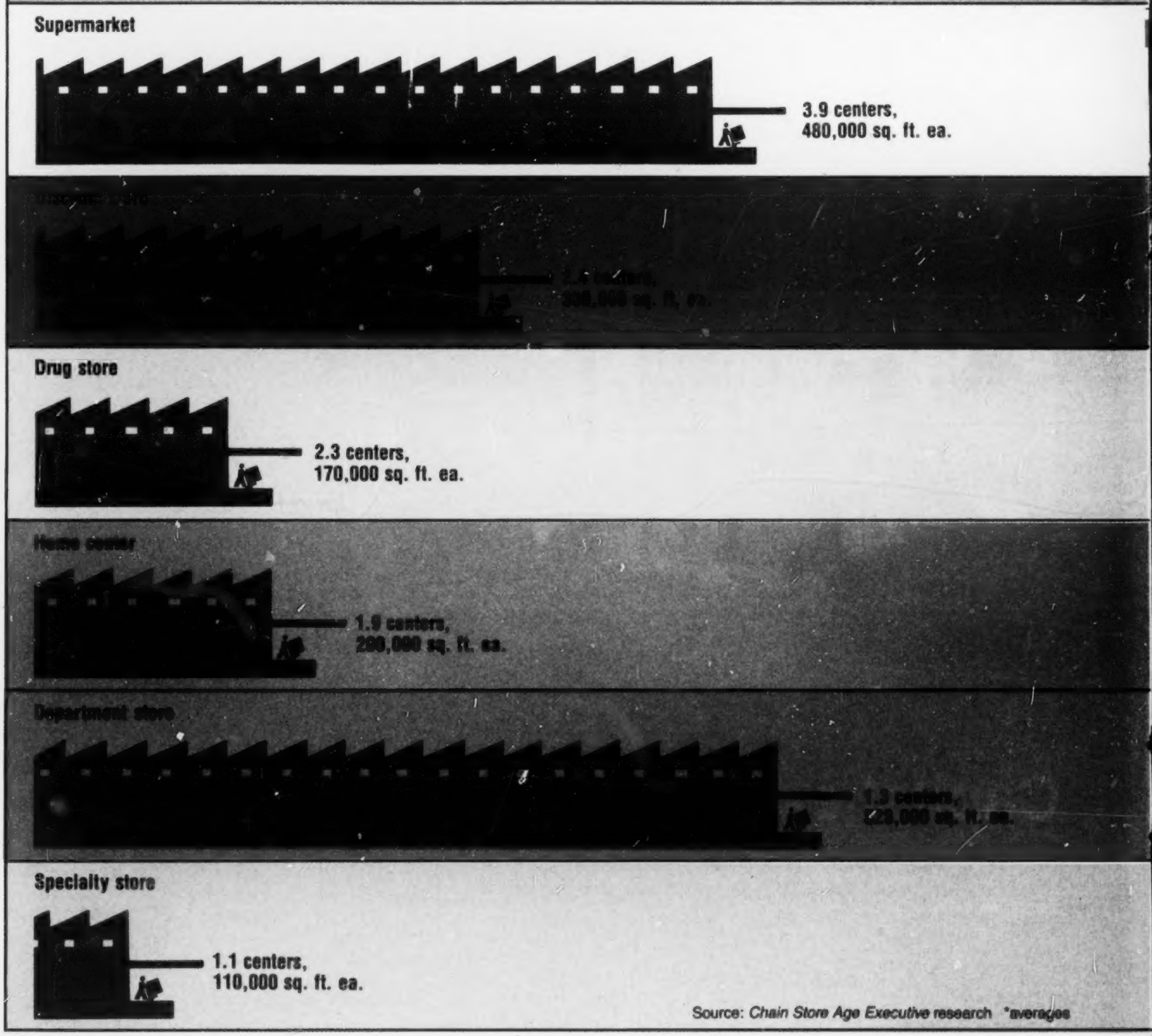
The average cost of building new distribution centers is $29.10 per square foot. That figure includes the cost of site preparation, building, tow-line and HVAC. To expand an existing facility, measuring by the same criteria, the cost is an average of $25.40 per square foot.

According to the survey, there was only one class of retailing where expansion cost more than new construction. Drug store operators spent an average of $28.20 per square foot for expansion while new construction cost $27.50 per square foot in that industry.

Supermarkets report the highest new construction costs of any retail class. The food industry spends $33.80 for new distribution facilities and $31.70 per square foot to expand.

In contrast, home centers, without the special needs of food handlers, report the lowest cost for expanding

Distribution centers by class of trade*



Source: *Chain Store Age Executive* research *averages

existing facilities—$20.30 per square foot. But department stores note the lowest cost for new construction; their building ticket comes to $25.90 a square foot.

The biggest increase in capital expenditures for distribution is occurring in discount chains, where mass retailers predict a whopping 154% increase in the portion of capital expenditures earmarked for distribution from 1983 through 1985.

In 1985, discounters plan to spend 16.3% of their capital expenditures budget on distribution and that's 33% higher than the next highest spender in the field. Home centers will place 12.3% of their capital expenditures in distribution centers.

Discount, home center and specialty stores plan to spend at least 10% of their capital expenditures budget on distribution facilities and expansion in the next year. Spending in the supermarket, drug and department store fields has leveled off or even declined slightly.

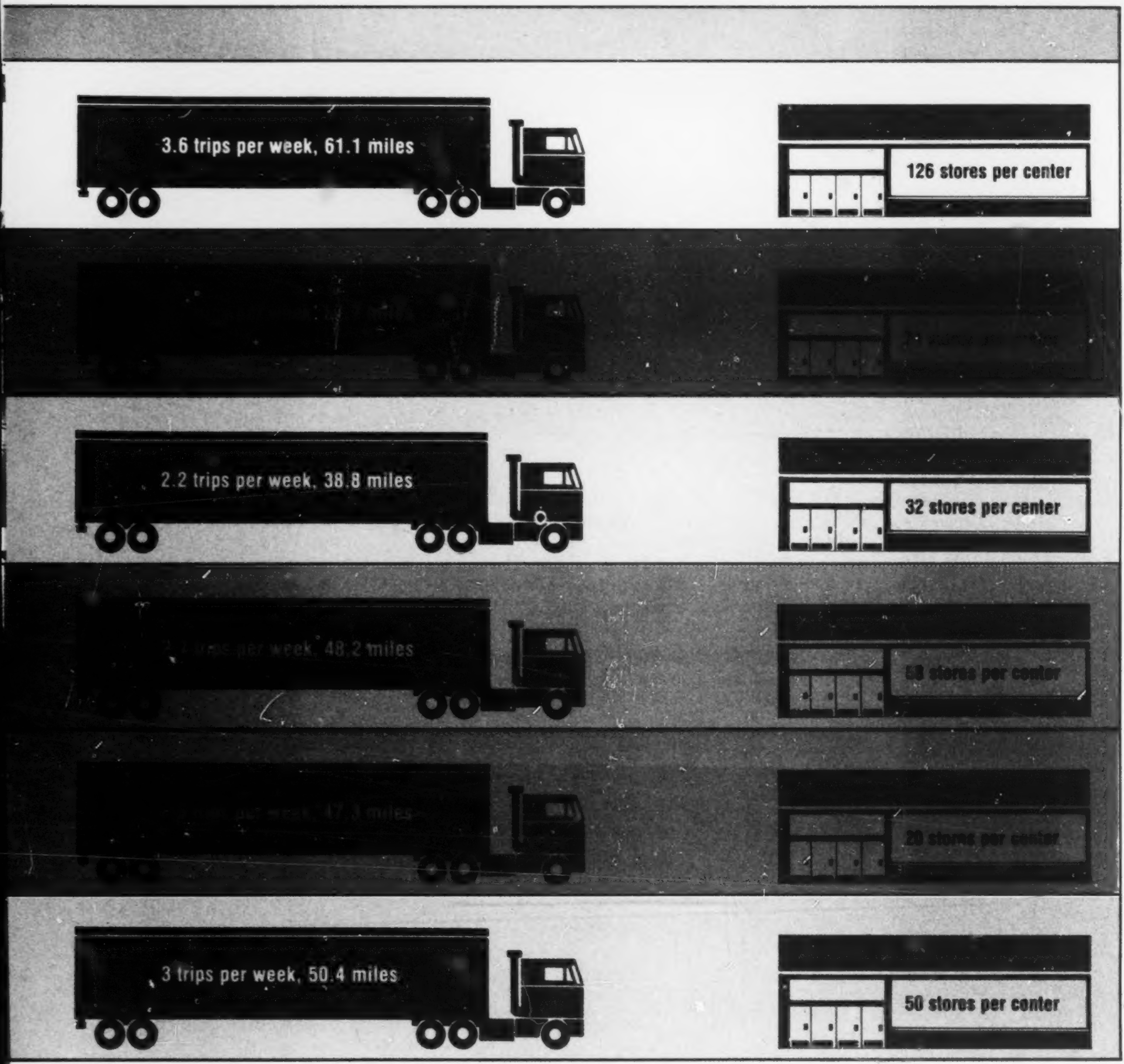
These industries appear to have more highly developed distribution networks in place and are expanding at a lesser rate. Department store distribution needs, for instance, will account for a relatively low 5.6% of the capital expenditures budget next year.

Only a small portion of the workforce is unionized in the retail distribution industry—an average of 35%. But payroll is a large part of the overall cost of distribution.

Payroll is a particularly hefty cost in the less automated sectors of retail distribution. The department store industry is the most prominent illustration. One Washington, D.C.-area department store distribution manager feels that the high payroll figure for department stores reported in this survey (63.3% of the distribution budget) may reflect the lower levels of automation in the industry's distribution operation.

The department store distribution centers also handle a more diverse mix of hard and soft goods than most other retailers. The level of unionization in department store workforce is one-third below the retail industry mean.

On average, retailers spend 44.9% of the distribution budget on payroll. Home centers have the lowest labor costs with 27.1% of their distribution



budget devoted to payroll. The number of workers employed per center in the department store industry is high—201 compared to a mean of 119 for all retailers represented in the survey.

Unionization does not appear to play a strong role in the overall cost of labor. Supermarkets and specialty stores both spend about half their distribution budgets on payroll, and supermarket distribution centers are 76% unionized while specialty store centers are only 21% unionized. Supermarkets, with the highest level of unionization, still allot 20% less of their budget to labor than do department stores.

This survey shows that 76% of supermarket distribution employees are card-carrying union workers, and the supermarket industry has chalked up impressive productivity numbers by one measure. Supermarket distribution workers handle an average of 860 cartons of goods per day compared to the retail mean of 487 cartons per employee each day. That performance has been achieved with an allotment of 50.4% of the distribution budget to payroll.

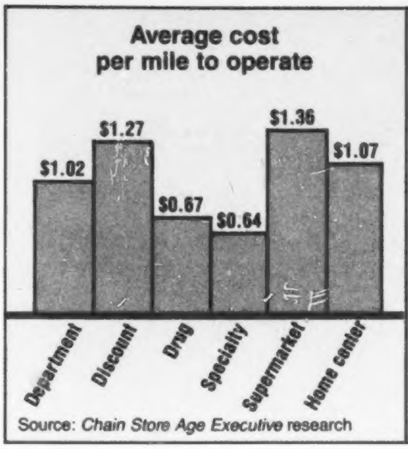
Supermarket distribution centers are highly automated. In terms of computerization, supermarkets lead in almost every function.

Receiving, picking, sorting and shipping are all computerized. Pricing and ticketing is the one function where supermarkets do not lead the retail industry in computerization. Only 27% of the ticketing that is done in the supermarket industry is computerized, but supermarkets do most of their price marking at the store level.

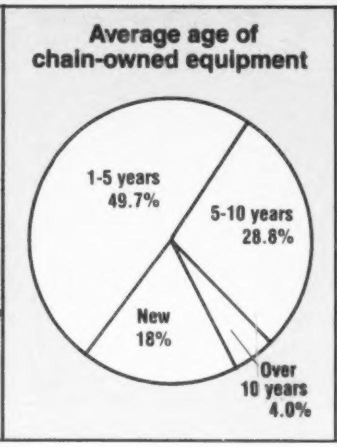
The supermarket distribution managers surveyed estimate that 26.3% of their ticketing is provided by vendors. The bar-coding of dry goods and canned goods puts supermarkets' average more than twice as high as the 12.8% mean reported by distribution executives in all sectors.

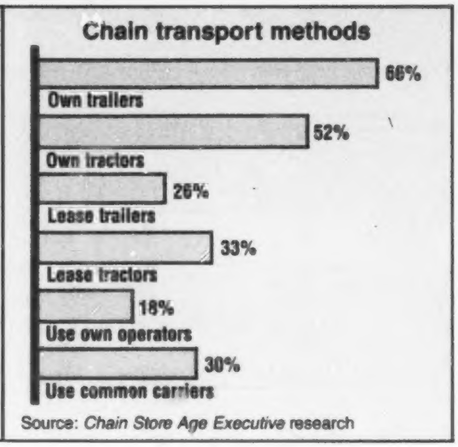
Department stores, on the other hand, have the least vendor participation in that process. Department store distribution managers estimate that only 9% of their ticketing is done by vendors.

Department stores also report the highest level of computerized pricing/ticketing operations in their distribution centers. The respondents



Source: *Chain Store Age Executive* research





Source: *Chain Store Age Executive* research

report that 87% of that function is computerized in department store distribution centers.

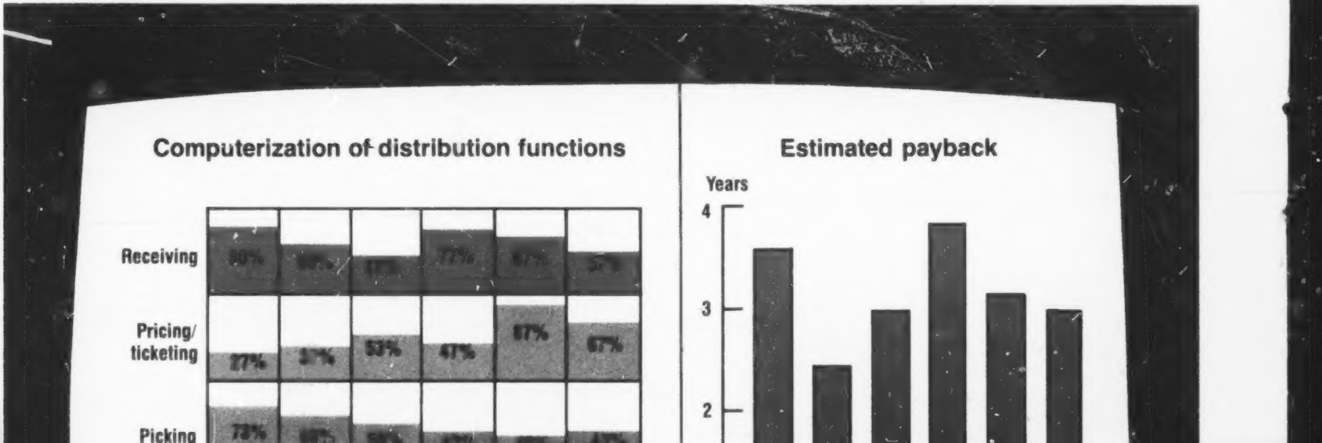
Deregulation has helped allay the near-term costs of shipping. Retailers say there is stronger price competition for chain contracts. But distribution managers are still uncertain of the long-term implications.

While trucking and rail concerns have lowered prices in some areas due to competitive pricing, these industries must also concentrate their efforts in the most productive geographic areas to keep pace with their own rising costs of fuel and labor.

Supermarket retail chains own more of their transportation equipment than any other retail sector. As a result, supermarkets devote a greater share of their distribution capital expenditures budget—32.3%—to trucks than any other class of retailing.

Discount and department stores come next, placing about a fifth of their capital expenditures into transportation equipment. Specialty store chains use common carriers to a greater extent than other retailers and also experience a good deal of drop shipping—therefore these chains only allot 6.6% of their distribution capital expenditures to transportation equipment.

Since transportation is one of the more volatile costs in the distribution budget, chains are anxious to trim costs or contain them wherever possible. About two-thirds of the retailers


Computerization of distribution functions
Receiving
Pricing/ticketing
Picking
Sorting
Shipping
27%
53%
47%
87%
67%
73%
23%
Supermarket
Discount
Drug
Home center
Department
Specialty
Estimated payback
Years
4
3
2
1
Supermarket
Discount
Drug
Home center
Department
Specialty

Source: *Chain Store Age Executive* research

surveyed use backhauling in their distribution operations, and 59% of the chains that backhaul do so to generate revenue.

At this point, however, less than half of all chains backhaul for profit. Virtually all supermarket chains backhaul, while only a third of specialty chains do.

School is still out on the question of whether retailing as an industry is moving toward larger central distribution centers or more localized networks. Some chains are moving away from managing distribution internally in favor of the exclusive use of outside carriers. But for maturing chains distribution management is becoming a key competitive tool as their strategy shifts from expansion to a concentrated effort to increase and maintain market share.

To that end, most retailers are employing ever more sophisticated automation processes including robotics, expanding transportation fleets and fine-tuning employee relations for increased productivity and cost-efficiency in the distribution center. ■

Survey respondents

This article is based on a survey of 180 chains by *Chain Store Age Executive*.

The sample of qualified chains was taken from the top 100 chains in each of six retail sectors—supermarkets, discount stores, department stores, drug stores, home centers and specialty stores.

The average annual volume of the chains interviewed for this survey ranges from a low of $36 million for specialty stores to a high of $1.7 billion for supermarket chains. Discount operators average $789 million in annual volume and department stores come in third with $242 million. Home centers average $52 million in annual revenues and drug stores have $87 million.

The respondents to this survey, conducted by professional researchers via telephone interviews, are vp's of distribution, operations or warehousing. The 180 completed questionnaires are divided evenly with 30 respondents in each class of trade.

In the supermarket field the distribution executives are responsible for the most centers, 3.9 on average, and the most stores, an average of 242. Specialty store distribution executives have the smallest networks with an average of 36 stores in their chains served by 1.1 centers.

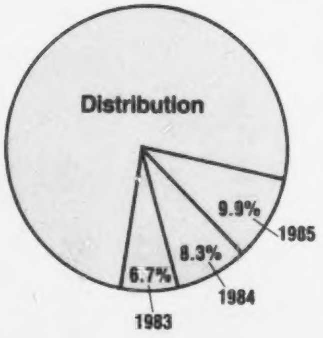
These chain store executives were queried on 30 separate points concerning the physical plants of their distribution centers, distribution as a component of capital expenditures, the distribution labor force, the role of computerized systems in distribution, ticketing and transport of merchandise.

Distribution costs as a per cent of total capital expenditures

	Supermarket	Discount	Drug	Home center	Department	Specialty
1983	4.8%	6.4%	7.9%	9.0%	3.4%	9.5%
1984	6.5	5.4	7.4	12.7	6.3	11.1
1985 (projected)	7.3	10.3	7.9	12.3	5.6	10.0

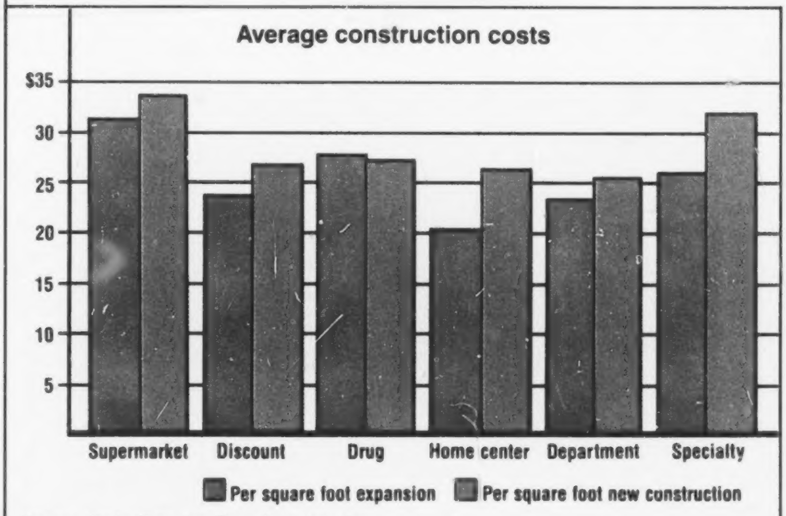
Source: *Chain Store Age Executive* research

Total retail capital expenditures



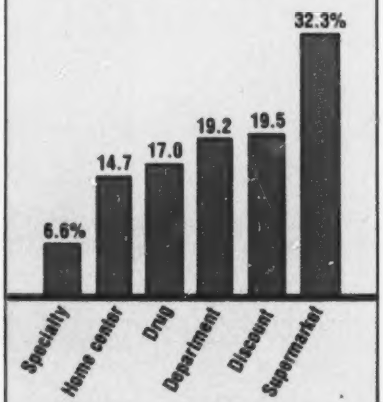
Source: *Chain Store Age Executive* research

Average construction costs



Source: *Chain Store Age Executive* research

Distribution expenditures for transportation equipment



Source: *Chain Store Age Executive* research

Showroom
Contacts
Eye Exams
Upstairs

An estimated 35% of sales at Manhattan Eyeland come from the $45 eye examinations, well above the $25 to $30 average.

Eyewear about to make a spectacle of itself

Megaopticals, a new breed of eyewear department stores, may be on the way to being a $20 billion market

There are a dozen retailers sitting on a restless giant that's beginning to stir.

Philip G. Barach, chairman of U.S. Shoe, says reputable marketing studies have indicated that it will be the fourth fastest-growing area of retailing over the next decade.

It's a $5 billion market that looks like it will be $20 billion in the next decade. It's a new breed of eyewear department stores that peddle optical goods in 10,000 to 20,000 sq. ft. of sheer glitter with a pretax profit structure of 20% to 30%, and 10% after tax.

Right now megaoptical stores are cutting a sizable niche in the optical market. Most industry observers put their share at close to 20% currently and expect that it will grow closer to 33% in three to five years. That's not bad for an industry which is not yet four years old. An industry with stores with sales ranging from $1 million to $2.5 million, which translates to $100-$250 a square foot, isn't bad either.

Historically, the sale of eyeglasses has been treated as an appendage of the medical trade. That premise died in the late 1970's when doctors received legal clearance to advertise, and consumers were handed their prescriptions for the first time.

A highly determined group of marketing entrepreneurs started opening stores three years ago determined to provide the spectacle wearer with the same pizzazz that Bloomingdale's gave the parvenu. "Megaoptical" shops that stock upward of 5,000 frames, and as many contact lenses, retailing from $30 to $30,000, are devouring the market share of traditional shops one-tenth their size that sell a few hundred frames.

The stir that these retailers have caused prompted a $2.6 billion conglomerate, Quaker Oats, to pay $10 million for a five-unit pioneer eyewear chain called Eyelab. Currently operating in New Jersey and Long Island, the chain's annual sales are about $10 million. Observers note that the chain's management, being the originator of the department-store concept and the prospects for immediate growth through expansion sweetened the deal.

Approximately 20 of these megaoptical stores are currently operating around the country. Forty to 50 more are definitely slated for 1984 openings, and industry participants predict that there will be 150 of these stores in major metropolitan markets by the end of 1985.

All the chains surveyed for this story have active expansion plans. Other retail companies are reported to be on the verge of launching eyewear superstores. Chief among the repeatedly rumored startup candidates is the Eckerd Drug's launching of a chain called Vision Works in the Miami area. Spokesmen for Eckerd have no comment.

More are opting for opticals

"I don't believe that Quaker Oats or U.S. Shoe bought those chains (Eyelab and Precision Lens Crafters) because of the Baby Boom. They bought the superstores because they're innovative retailing and they could be the wave of the future," says Richard Golden, executive vp of D.O.C. Optics.

While some may well doubt that demographics are the only reason why so many businesses are opting to include optical superstores in the corporate lineup, there is no doubt that the numbers are suspicious.

A United States National Center for Health Statistics survey indicates that approximately half of the population over the age of 3 wears some type of corrective lenses. Moreover, a Roper survey found that 64% of all adults over the age of 18 wear prescription glasses.

Consumer spending habits are already changing, according to a recent Nielsen report which indicates a trend to specialty eyewear retailers. Nielsen reports that 50% of prescription shoppers went to an optical store for glasses, and only 38% were sold their glasses by a doctor. That's a far cry from the pre-1977 setup which did not require doctors to hand their patients the prescriptions. Leased departments in department stores only snared 4% of sales, drug stores chalked up a measly 2% and 6% went to "other" sources.

Whatever the outcome of the current all-out marketing war to increase consumer consumption levels among eyeglass wearers, the sheer number of eyeglass wearers is exploding. "In the last 20 years the heart of our market—35 to 54 year olds—went from 44 million to 47 million. In the next 20 years, that group will increase by 31 million people—not three million," says Jack Byrne, chairman of Manhattan Eyeland.

In addition to the basics there is a mushrooming market for fashion opticals, contact lenses to supplement glasses, and even purely cosmetic lenses to change the color of the eyes. The new breed of "retailers" in what has been viewed as a para-medical business will certainly profit.

In addition,

- Pearle Health Services is launching two superstores to be called Visionary this year.
- Eye + Tech of Houston plans to expand its four units through internal and external financing.
- D.O.C. Optics, which operates 95 conventional optical stores, and currently has the biggest eyewear store on record—23,000 sq. ft. in Hialeah, Fla.—will add three to five superstores in 1984.
- Precision Lens Crafters, a recent acquisition of U.S. Shoe, will "expand substantially in the next year" and "more than double" the current four-unit chain with more than a dozen stores slated for Chicago alone, according to Dean Butler, president.
- Cole National's World of Vision store in Pittsburgh will be joined by three sister stores in Minneapolis this year.
- Eyeworld of Framingham, Mass., will add three to six stores to the initial unit in the next five years.
- Quaker Oats is not saying how many new stores it will add to the Eyelab chain, but reports of real estate scouting in Chicago have not been denied.

Mark Schnarr, vp-planning and development of Quaker Oats, says that the players in the optical field are playing in an atmosphere of "up for grabs" expansion right now. He adds that Quaker's plan for Eyelab calls for it to become "not just another player, but the leading player."

Some of the operators of the new stores are not new to chain optical retailing. Pearle Vision Center operates more than 1,100 stores in the United States, Canada, Mexico, Belgium, Luxembourg, Britain and the Netherlands. Keith West, president of Minneapolis-based Benson Optical which operates 400 stores, comments that, "Pearle couldn't get as big as they are without taking some of our business."

On-site labs in the superstores generally employ 10 to 15 skilled technicians.

Pearle, a $305 million company with 1983 earnings of $17.3 million invested $11.5 million of capital in the business last year and went public in December of 1983. The strongest operator of traditionally sized optical stores, Pearle nonetheless takes the superstore trend seriously. Pearle plans to invest $18 million of capital in the business in 1984. In early March, the company launched two superstores, 7,000 and 10,000 sq. ft., called Visionary, in their own backyard in Dallas.

Donald J. Phillips, Pearle's president, pooh-poohs the media attention that superstores are attracting. "I think the whole thing is overplayed. None seems particularly strong. Margins aren't really that high," but industry startup costs for stores of this type range from a minimum of $500,000 to $1 million.

Pearle may be a case of "if you can't beat 'em join 'em," but many smaller operators are uncomfortable with the flow of outsiders into the optical business. Some are reluctant to discuss the superstore concept or recent events in their industry. Meyerowitz, a chain that operates 1,000-sq.-ft. optical stores in the New York area within blocks of Manhattan Eyeland, refused comment for this story.

Operators like Robert Fischer, district director of Medicare Vision Centers, a 12-store St. Louis chain, can point to difficulties even when startup costs are $100,000 for 1,000-sq.-ft. stores. The company has been in business long enough to see paybacks in one to two years. Like others in the industry, he remembers when drug stores, mad for margins estimated to be 40% to 50% on optical goods, went whole hog into eyeglass departments. The ventures floundered for the most part seven or eight years ago because they lacked the optical expertise and staff to maintain customers.

These new marketers feel that they have the service and expertise problems licked in their businesses. For one thing, what Precision Lens Crafter's Butler called "an oversupply of opticians" is seen as a plus for chain employers. The U.S. Department of Commerce says there are 21,000 optometrists and 16,000 opticians in business, and *Optical Index*, a trade publication, reports that, "Even though the salary for private practice is virtually limitless, chains are still grabbing much of today's new talent by offering high starting salaries."

Labor costs, not unimportant to any retailer, are a critical factor to the megaopticals. Starting opticians command an average $16,500 salary, and novice optometrists start at slightly over $18,000. One of the prime features that separates superstores from the corner optical shop is their on-site laboratories which generally employ 10 to 15 skilled laboratory technicians.

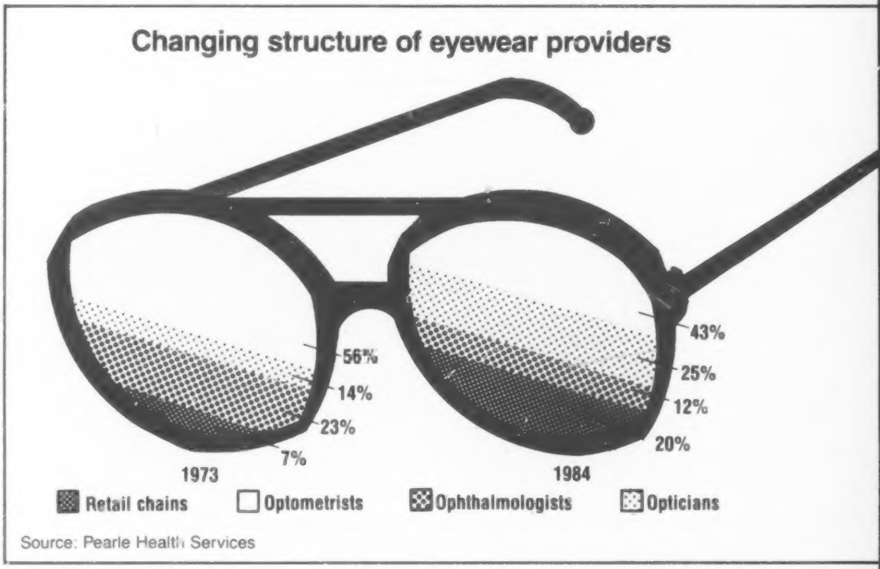
"Payroll is the highest cost ingredient in this business," says Butler. He adds that not only is payroll as a percentage of sales higher than it is for other retail sectors, but that "payroll is higher than our cost of goods."

In fact, megaopticals clustered in large urban centers call for optimum service, from 15 to 30 employees per store, and a strong 10%-11% of sales commitment to advertising in order to gain market share. Industry observers note that some of these chains have spent $200,000 on grand opening campaigns. But the most fire power in their strategies is devoted to marketing.

Several chief executives in the field hail from the granddaddy of all marketing—Procter & Gamble. Butler is a P&G graduate who feels the key opportunity in the optical trade is "expanding per capita consumption of eyewear." Manhattan Eyeland's chairman Jack Byrne, another P&G alumnus, says he sees no reason why he can't sell the public on day and evening glasses and winter and summer glasses. Per capita consumption slipped in recent years as the life of an average prescription lengthened from 2.3 years to 2.9 years.

Optical retailers doubt that the slippage was because of the nature of the consumers. The average consumer per capita expenditure on eyeglasses is $23 at present. That's because of the nature of the retailers in the optical business. The new marketers say they did their retailing like doctors.

"There are lots of millionaires in this business with one or two little 1,200-sq.-ft. stores," says Byrne, who explains that the doctors who traditionally dominated the industry never put their earnings back into the stores.


Changing structure of eyewear providers

Source: Pearle Health Services

The superstore operators are determined to pump up sales through innovative marketing and merchandising. Television advertising is frequent and sophisticated, although some traditional operators question the long-term effectiveness.

Keith West is president of Benson Optical (900-sq.-ft. stores and $60 million in annual glasses and contacts sales), a chain which recently doubled in size when it purchased 225 House of Vision stores. He calls Pearle Vision's ads the best in the industry. West thinks that other operators will imitate Pearle, "but after a period of time these ads may lose their appeal and customers may not come back. Our prescriptions come from doctors who don't sell glasses."

Butler: The key opportunity in the optical trade is "expanding the per capita consumption of eyewear"

In the few states where it is permissible to actually have doctors on the payroll—Nebraska, Illinois, New York and Michigan—opinions differ on whether the presence of the doctors constitutes "a built-in conflict of interest," says Butler of Precision Lens Crafters. "Even in states such as Illinois, we won't put doctors on the payroll. There has always been a conflict since the majority of the income was generated by the sale of eyeglasses and not the service."

Medical records maintained by store doctors represent an impressive arsenal of marketing ammunition. The doctors' presence must generate sales in order to justify salaries which range from $40,000 to $100,000. At some locations, examinations alone can bring in significant revenues. Byrne estimates that 35% of sales at his store, opened in March 1984, stem from the $45 eye exams administered at Manhattan Eyeland. That price is well above the average $25 to $30 exams at other stores. However, the long-term value of the doctors' presence is the extensive computerized data kept on each patient's prescription and purchase that can be used for highly effective mail marketing campaigns.

Eyeworks, a three-store Minneapolis division of Cole National which opened in February, is also using computers in more of a marketing than a medical vein. A Digital Techniques Touchcom computer determines the customer's appropriate color palette and frame shape based on facial features, skin tone, hair and eye color.

Many of the stores draw salesmen who have fashion accessories experience in addition to opticians as sellers. That's a step that some old-line optometrists question, saying that proper fit is what brings a customer back.

But the superstores compensate with sophisticated computerized fit-ters that determine the exact center of the lens in a person's line of vision to insure a good fit. Relying on more sophisticated exams and machinery may mean that all salesmen do not have to be opticians or apprentices, and that may help relieve the payroll pressure.

These fashion sales forces may be able to convince customers to buy colored contact lenses for cosmetic purposes (around $200 retail), and some of the ancillary high-end designer frames. Contact lens sales account for 20% of sales at most of the superstores, and the public's growing acceptance of contact lenses is still usually supplemented by a pair of backup glasses.

The fashion emphasis may help to stem the drifting of sales of nonprescription sunglasses from optical stores to department stores. A report by Corning Glass states that only 9% of sunglasses are sold at optical shops. Department stores got 31% of those sales, drug stores got 29%, discounters saw 12%, 5% went to variety stores and 14% was spent at unspecified locations.

Perhaps the only remaining caution that these megaoptical retailers take seriously is the danger of oversaturating common markets. "Clearly, these stores work best in high density areas with 500,000 people within five miles," says Butler. He mentions that Precision Lens Crafters has two stores in Cincinnati, but wouldn't like to get any smaller than that. "We wouldn't be brave enough to go to Lexington, Ky."

"Quaker and U.S. Shoe are buying management," says Joe Blackburn, chief executive officer of Eye + Tech, a Houston-based, four-unit superstore chain. He believes he needs a 300,000 to 400,000 population base to support his 5,000-sq.-ft. stores. But he stresses that "management will be more important than demographics in the long run."

While school is still out on the finer points of demographics in this industry, other executives are worried about oversaturation. Richard Golden, executive vp of D.O.C. Optics, does not subscribe to the 500,000 or bust theory. He says he is more concerned about density of population near the stores than the population of the city the store is located in.

"Look, we have one of these stores and we're pleased with it," says Golden. "But we're not saying for sure that it's the way we'll go in the future. It may not be the panacea that everyone thinks it is. What will happen when there are a lot of stores in every city? We're flexible enough to switch gears," says Golden. His chain is not opening 23,000-sq.-ft. stores in every location. The prototype will be 10,000 sq. ft. and will include lab, retail and stock. The Hialeah store is that large because its lab serves other stores.

When confronted with the possibility of overload in markets like Chicago, Butler of Precision Lens Crafters says, "There's a real possibility that they'll do themselves in. I don't know why they [Pearle, Eyelab, D.O.C. etc.] don't go somewhere else."

There will be a shakeout. Most companies, with the exception of Pearle and D.O.C. Optics, haven't even begun to establish distribution networks. MIS systems are five years behind the rest of the retail industry. Buyers are inexperienced in some sectors, and "suppliers in this industry are going to have to change rapidly in major ways. They're used to selling two or three frames a week."

Butler presents a likely scenario: "What will probably happen in the field will narrow to three or four operators who will dominate certain regions. It will be a Toys "R" Us—Children's Palace situation." ■

—Molly Brauer

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Unfriendly takeovers: preparing a battle plan

Chain Store Age
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***Responsiveness to the consumer** prompted new specialty departments in this remodeled Foodtown.*

Supermarket

Existing stores:
Mean: 30,400 sq. ft.

Amount of selling space available in typical store:

Mean:	**Median:**
18,500 sq. ft.	**19,800 sq. ft.**

Stores opened in 1983-84:
Mean: 35,000 sq. ft.

Amount of selling space available in stores opened 1983-84:

Mean:	**Median:**
25,200 sq. ft.	**24,500 sq. ft.**

Cost to erect a building shell within last 12 months:
Mean: $21.30 per square foot

Source: *Chain Store Age Executive* research

Store formats emerge as competitive weapons

In the supermarket industry, store formats are emerging as the major competitive weapon for the remainder of the 1980's and beyond.

This fact was one of the major messages coming out of this year's annual convention of the Food Marketing Institute (FMI). Its ramifications are seen not only through continuing interest in the newest format, the superwarehouse store (*Chain Store Age Executive*, August 1983), but also through increased use of market research to pinpoint the demographics of specific market areas—and respond accordingly.

As Timothy M. Hammonds, senior vp, FMI, observes, "We can call the 1980's the Decade of Diversity. Shoppers are developing a variety of living styles, shopping patterns and food tastes challenging all of us to keep up."

The resulting "customizing" to meet local market needs is proving to be particularly essential for the conventional supermarket operations (defined by the FMI as those stores with under 30,000 sq. ft.), badly in need of a market niche. In many areas, these stores have found themselves hard-pressed to compete with such formats as the superstores, the combination and warehouse stores.

It's not surprising, then, that the FMI's latest statistics show that during 1983 conventional stores accounted for 76.8% of the stores closed. Superstores (those over 30,000 sq. ft. in size) accounted for 14.6%, while combination stores (combining food and drug operations under one roof) accounted for only 1.2%. The warehouse stores (promoting cut-rate prices and, in general, offering minimal ambience) accounted for 3.4%, while what FMI refers to as limited assortment stores accounted for 4%.

In 1983, 41.2% of new stores were superstores, 31.4% were combo stores, 8.4% were warehouse stores

Compared with 1982, the good news in 1983 was that there were fewer stores closed. However, there were also fewer stores opened and fewer stores remodeled. (In 1983, 4.3% of all stores were closed, 3.7% were opened and 6.3% were remodeled, according to FMI's research.)

In 1983, 41.2% of the new units opened were superstores, 31.4% were combination stores, 16.4% were conventional stores, 8.4% were warehouse stores (almost doubling the prior year's 4.7%) and 2.6% were limited assortment stores.

Hammonds points out that the continuing proliferation of such varying formats is indicative of the fact that "Customers in America have changed their lifestyles. The recession made the warehouse store appealing. The 'save' side of the 'save-and-splurge' two-income household buying pattern perpetuates that appeal."

He adds, "The same families may shop at a warehouse store during the week and at an upscale store on the weekend when they're looking for something special. This brings new formats, hence new forms of competition, into the marketing scene because this industry is nothing if not responsive to customers."

This responsiveness is also being translated into the rapid expansion and addition of specialty departments—including everything from bulk foods to salad bars to extensive service fish and deli shops to expanded scratch bakeries.

Indicative of this trend is the Foodtown Store in Toms River, N.J., recently remodeled by Mayfair Super Markets. One of the goals in this remodeling project was to tailor the store specifically to meet the needs of that particular suburban community—with, for instance, an added sec-

The industry profiles provided in this section include data on the average size of existing and new stores in each of six retail classifications. Information is also offered on how each type of chain is coping with changing market conditions, whether through the construction of new stores, expansion of existing ones and/or full-scale remodeling programs.

←For more information circle 13 on reply card.

tion of Italian, Greek and Polish specialties.

The "special" features of this store now include: a bulk foods section; an expanded and modernized meat department; a salad bar; a new service fresh seafood department; an enlarged deli; a self-service bakery; a new floral department; a permanent toy department and a new section featuring stationery and books.

To include the desired wider gamut of departments, supermarkets are growing larger. A remarkably short time ago, stores that were over 35,000 sq. ft. were deemed newsworthy. Now, especially with the growth of the superwarehouse chains, there are frequent mentions of stores in the range of 60,000 to 75,000 sq. ft. (Schwegmann's, the Louisiana-based supermarket chain, even plans to open a 112,000 sq. ft. unit in Baton Rouge in October.)

This trend shows up in the size of the typical new store built in 1983, averaging 38,000 sq. ft. and, according to FMI, averaging $57.69 per square foot to construct. It will be in operation 12 months before it breaks even.

However, as of 1983, the typical supermarket contained 28,000 sq. ft. in total area. Combination stores averaged 45,875 sq. ft. followed by superstores, warehouse stores and conventional stores. ■

DEPARTMENT STORE PROFILE

Department

Existing stores:
Mean: 138,200 sq. ft.

Amount of selling space available in typical store:

Mean:	Median:
131,500 sq. ft.	106,000 sq. ft.

Stores opened in 1983-84:
Mean: 35,000 sq. ft.

Amount of selling space available in stores opened 1983-84:

Mean:	Median:
96,300 sq. ft.	80,600 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: $26.60 per square foot

Source: *Chain Store Age Executive* research

In most cases, department stores are focusing on ready-to-wear as expansion targets.

Remodels target profit areas

Perpetuating a trend that began to pick up speed in late 1982, department stores are continuing to plow the majority of their capital expenditures into remodeling programs that update store looks while increasing the selling space of high profit departments.

No longer a period of heavy new store construction, the 80's will be a decade during which department stores will strengthen their already existing positions in the marketplace, says one store planner.

A combination of high construction costs and lack of new markets is cutting the number, as well as the size, of those new stores that are being built. "If we were to build any more new stores, we'd be in competition with ourselves," says Tom Jewell, manager of visual merchandising at J. C. Penney. His remark is typical.

Other store planners point out that small peripheral departments are being cut out of new store designs in order to limit space, hence, construction costs. "You'll notice that in many new stores piece goods is being cut down as is needlework," cites one director of planning. "Also you'll notice that the book department is disappearing altogether."

A new Hudson's store opened in Battle Creek, Mich., last year tailored its merchandise offerings directly to the market, based on consumer research conducted before the store was built, according to a spokesman for the company. As a result, neither a budget department nor a furniture department was included.

While certain departments are being phased out of some stores, remodeling programs are resulting in the expansion of others. Right now, the spotlight is on ready-to-wear.

"People are spending more money on clothes," says Bill Merchant, divisional vp-store planning and operational services at Woodward & Lothrop, Washington, D.C. "They are going out more and being seen more."

Consequently, the first phase of a two-phase remodeling program for the Montgomery Mall store included the expansion of ready-to-wear and the men's department. The same strategy will be used for the remodeling of the chain's Columbia store.

New York-based Bloomingdale's is also doing extensive remodeling which will increase the selling area of its high profit departments, according to Gabe Nimeroff, director of planning. Its midtown Manhattan store is currently increasing the size of ready-to-wear and "other fashion departments, including better ready-to-wear, cosmetics, high fashion accessories and the men's department," reports Nimeroff. Bloomie's is going so far as to rent office space from other companies so it can relocate its administrative personnel out of the midtown store and convert the space to selling area.

In most cases, before a chain undertakes a remodeling program it assesses certain factors by which it sets its priorities. J. C. Penney, New York, which announced a five-year, $1 billion renovation program last year, looks at four criteria before it determines how extensively to renovate and when, according to Jewell. Those areas are market potential, growth potential, share of market and profit.

Similarly, Dayton Hudson, Minneapolis, has four criteria, according to Charles Zekind, vp-properties. Its first gauge, an annual consumer survey, deals with a variety of topics, in-

For more information circle 7 on reply card.→

cluding physical layout, the ease of finding merchandise, assortment of merchandise and price points.

Second, customer traffic is measured at every store—not just in terms of volume, but patterns as well. This is done through twice-yearly visits to every store by properties teams and first-hand observations elicited from store managers.

Department size and presentation is reported on by merchandise managers, and finally, area competition is assessed.

Based on this information, the chain has opted to remodel two of its Hudson's stores, one in Flint, Mich., as a result of customer feedback, the other in Novi, Mich., as a result of changing market demographics. ■

SPECIALTY STORE PROFILE

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The Gap's 1984 expansion plans have been increased to include 60 new units.

Remodels play key role

Business is good and most specialty retailers are actively expanding their store networks, but remodeling plays a key role in the effort to gain and maintain market share.

Jon Hensley, Lerner vp-store planning and construction, asserts that 1984 will be a year with much more remodeling than new construction for his company. "Frankly, there aren't that many new locations," says Hensley. The chain will build 30 new units averaging 6,300 sq. ft. at a cost of $40 per square foot—a figure that includes leasehold improvements and fixtures.

Since Lerner has developed a "whole new prototype" the chain plans to breathe new pizzazz into 270 stores in 1984. The remodels will range from paint and polish jobs for $6 per square foot to major overhauls at $20 per square foot. The program at the 800-unit chain is poised to keep the same pace in 1985. This year's budget for remodeling and new construction is up 50% from 1983, according to Hensley, and 1985's budget will see a similar increase in scale.

Specialty

Existing stores:
Mean: 4,400 sq. ft.

Amount of selling space available in a typical store:
Mean: 2,400 sq. ft. **Median: 2,100 sq. ft.**

Stores opened in 1983-84:
Mean: 4,200 sq. ft.

Amount of selling space available in stores opened 1983-84:
Mean: 3,100 sq. ft. **Median: 3,500 sq. ft.**

Cost to erect a building shell within last 12 months:
Mean: $29.20 per square foot

Source: *Chain Store Age Executive* research

Lerner is attempting to downplay the look of a mass merchandiser as it seeks to make current locations more productive. There will be fewer high density fixtures—long pipe racks and large capacity circle racks—and more "feature" fixtures to help in merchandising coordinated apparel. The aim is to take the new-style units, with combination carpet and tile floors, dedicated aisles and new colored fixturing, chainwide.

John Weiss, J. Riggins' vp of administration and operations, reports construction costs for new stores range from $40 to $45 per square foot at that chain. The J. Riggins company, which operates both the Proving Ground chain (50 units) and 200 J. Riggins stores, is planning a limited remodeling effort this year. The company will add 12 J. Riggins stores of an average size of 2,000 sq. ft. and about four Proving Ground stores this year. Next year the emphasis will shift to remodeling, with a 25% increase in the 1985 remodel budget.

The strategy behind next year's push to remodel reflects the chain's research on its core customer—the maturing baby boomer. Proving Ground stores will cater to the market that J. Riggins stores once targeted—the 18- to 25-year-old. The J. Riggins stores now aim to appeal to the 21- to 35-year-old age group with a more sophisticated design.

Lerner plans 30 new units for 1984, at an average cost of $40 per square foot for a 6,300-sq.-ft. store

The Gap started 1984 with an expansion plan calling for 35 new stores, and since has upped the plan to include 60 new units. The stores range in size from 4,000 to 8,000 sq. ft. on average, but this year 1/3 of the new units will be Super Gaps from 10,000 to 20,000 sq. ft. In 1985, the plan calls for an additional 50 units, and a new smaller prototype will be tested next year.

The major design changes in the new stores, and the limited remodel program of three or four units in the 550-store chain, emphasize a cleaner, more sophisticated look, according to Mitch Bull, store facilities administrator. Bull comments that, "Growing with the customer is an industry trend," among specialty retailers. Graphics such as orange stripes and hanging globe light fixtures are on the way out, and on the way in are gray and red colors promoted by Miller-Zell.

Morse Shoe has instituted "a real program" after a brief moratorium on new stores and remodels, during last year's corporate reorganization, according to David Williamson, assistant vp, director of construction. The chain will add 25 3,000-sq.-ft. units to the Fayva division in 1984 at a cost of $35 per square foot. The cost includes building materials, construction costs and fixturing. The planned units will be built in Chicago, Detroit, New York, New Jersey and various New England locations in a combination of malls, strip centers and downtown locations. Williamson says, "The real estate people are projecting about 50 new stores in 1985."

Morse plans to remodel 60 units in 1984 and an additional 100 units in 1985. The remodeling costs are running very close to the cost of building a new store, according to Williamson, in this all-out effort to bring the 700-store chain up to snuff. "The old stores were completely outdated," says Williamson. "This is the first attempt to make changes. The remodeled stores are being brought up to the same standard as the new stores."

The new Fayva stores will feature more photographic graphics than signage; updated lighting systems including track lighting, parabolic lights, and spot wall lighting. The color scheme is muted with gray, white and brown tones. ■

Discount

Existing stores:
Mean: 60,900 sq. ft.

Amount of selling space available in typical store:

Mean:	Median:
41,200 sq. ft.	39,200 sq. ft.

Stores opened in 1983-84:
Mean: 72,200 sq. ft.

Amount of selling space available in stores opened 1983-84:

Mean:	Median:
53,800 sq. ft.	50,000 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: $18.60 per square foot

Source: *Chain Store Age Executive* research

DISCOUNT STORE PROFILE

Discounters like Zayre *must fine-tune pricing and renovate stores in the next decade.*

Discounters' remodels stress quality, productivity

Discount retailing chalked up estimated revenues in excess of $60 billion in 1983. It's an industry that shows the classic symptoms of maturity. Lower levels of demand growth from a changing consumer market are challenging discounters to a market share battle with traditional and new competitors.

Discounters are stressing value to the quality/price perceptions of their customers. These retailers are remodeling their stores in an effort to make existing spaces more productive and to communicate an image of value.

Malcolm Sherman, president of the 280-store Zayre chain, commented recently that the discount industry is facing serious challenge years. "Sales and profit increases will be harder to come by in the future because new store growth will not be there," he said, and that as markets become saturated, "barracudas" such as catalog showrooms, home centers, convenience and specialty stores will be battling for market share.

Sherman stresses that the paramount task discounters face in the next decade is to fine-tune pricing and renovate stores. "Real estate realities will cause the well-done smaller specialty stores to proliferate. Space productivity will improve and predictability of performance will be more important than drama and risk in merchandising," says Sherman.

Ames Department Stores took a leap from 118 stores to 168 stores in 1983 through the acquisition of some former Kings stores. Herbert Gilman, chairman, recently outlined that chain's aggressive remodeling program. Ames remodeled about 25 stores in 1983 and will perform the same number of overhauls this year and next.

The stores, which average 47,000 sq. ft., "have consistently shown sales increases of 30% or more during the first year after remodeling. Thereafter sales increases were commensurate with other stores," says Gilman. In fact, one remodel chalked up a 45% sales increase when it was expanded from 32,000 sq. ft. to 42,000 sq. ft.

Those sales increases mean that the cost of these remodels is paid back "well within two years," says Gilman.

The cost of remodeling an Ames store, depending on local conditions, ranges from $250,000 to upward of $400,000. The productivity at one Massachusetts store went from $2 million three years ago to $5.8 million for 1983. And Gilman predicts that the Service, Mass., unit will do $7 million in 1984.

Marshalls, the 137-store off-price chain, is launching a massive remodel program this year. Dennis St. John, vp-construction, estimates that the project will cost close to $40 million. The work, which started early this summer, is still in the planning stage. Eventually it will involve approximately 84 of the stores and at least nine of the stores will be completed before year end.

Alco Discount Stores, a division of Duckwall-ALCO, is undertaking a major remodeling program this year for 22 of its stores. Fred Stroud, manager of store fixturing and design, points out that the overall cost will be moderate.

The reason, says Stroud, is that to a large extent, "We'll be using existing materials and reworking them." Gondolas are being raised from 54 in. to 56 in., and the bases of the gondolas are being narrowed to 3 ft. from 4 ft. The aisles will remain the same size, but the stores (ranging in size from 27,000 sq. ft. to 55,000 sq. ft.) will have space for more gondolas. New signage will be added.

Stroud commented that the remodel program is more aggressive than last year, when the 127-unit chain remodeled five stores. He says that the lion's share of Alco's remodels have been spurred by recent acquisitions. This year, for example, Alco bought four Davis Stores in Wichita, Kan. And last year Alco acquired the Magic Mart chain; six of those 40 stores will be refurbished.

Fred Meyer, a 70-unit, Portland, Ore.-based chain, recently completed about 10 minor remodels and will complete three extensive remodels in 1984. According to Lewis Ketch, remodel design and development manager, the major overhauls cost "at least $2 million per store and can cost up to $4 million."

Ketch maintains, "We always had a strong emphasis on remodeling," and says that Fred Meyer will spend about $10 million chainwide on remodeling in 1984. But, according to Ketch, the lifespan of Fred Meyers' remodels seems to be lengthening. "We used to say 10 years, but some of the stores haven't been remodeled for 20 years or more."

Productivity at a remodeled Ames store went from $2 million three years ago to $5.8 million for 1983

Ketch explains that stores in more isolated suburban locations are closer to being laboratory situations where space can be added. The emphasis often falls on suburban locations because those stores face heightened competition. Specifically, Ketch says that K mart, J. C. Penney and Sears put presssure on general merchandise areas; Albertsons, Safeway and the box stores give Fred Meyer a run for the money on food.

Over the past few years, Gold Circle, a 51-unit, Worthington, Ohio discounter, has worked on two or three remodels a year. That completed most of the major remodeling Gold Circle needed to bring its stores up to par. Gold Circle's stores are an average of seven or eight years old and the oldest store in the chain is only 14 years old.

Daniel O'Harra, vp-properties and administration, says that the main thing that Gold Circle considers in targeting a remodel is the age and look of a store. But he adds that keeping a strong market presence by keeping a store looking fresh is an important consideration. The average lifespan of a major remodel is 10 years at Gold Circle. ■

DRUG STORE PROFILE

Maintaining a steady pace

Once again, in 1984, the nation's leading drug store chains are showing that they're as dependable as the sun rising in the East. Having come through the recession hardly missing a beat in their capital expenditures, they're carrying through on ambitious new construction and remodeling slates for this year and beyond.

Take Rite Aid, for instance. Having finished fiscal 1983 (ended Feb. 26) with 1,148 locations, Rite Aid has made plans to open another 90 new stores in the current year. Yet its remodeling plans are even more ambitious—as some 107 older stores await facelifts.

Peoples, the 575-store chain based in Alexandria, Va., is also going ahead with a hefty construction schedule. The chain plans to launch 60 new stores this year, aiming for a new gain of 55, or just under 10% of its current roster. Like Rite Aid, however, Peoples is not placing all its chips on new units. As part of a long-term plan to convert its various drug store divisions to the Peoples logo, 1984 plans call for the installation of the Peoples decor package in 43 Haag outlets in greater Indianapolis.

Walgreens' plans are in the same mold. In fiscal 1983, ended Aug. 31, Deerfield, Ill.-based Walgreens opened 67 drug stores for a total of 941. Some 80 new outlets are lined up for the current year, including four locations in New York City—an area the chain had been de-emphasizing over the last decade.

Last year, 55 Walgreens units were remodeled, and this year, there are 70 stores in line for facelifts. The bill? About $22 million, as compared with the $51 million that has been earmarked for new construction.

Smaller chains have formulated diverging strategies, however, leaning either toward new stores or remodels, depending on the age and condition of existing units, and the opportunities that await in their markets.

Adams Drug, Pawtucket, R.I., is a chain that grew through a series of acquisitions, and in the past, remodeling was not a priority. But that's changing. In 1983, for instance, Adams opened only six new units, shuttered no less than 39, and invested in 48 remodels. About a third of those remodels were conversions to the Brooks name and layout—the preferred store design for both new and overhauled outlets.

Drug

Existing stores:
Mean: 13,700 sq. ft.

Amount of selling space available in typical store:

Mean:	Median:
10,500 sq. ft.	8,400 sq. ft.

Stores opened in 1983-84:
Mean: 13,500 sq. ft.

Amount of selling space available in stores opened 1983-84:

Mean:	Median:
12,300 sq. ft.	9,800 sq. ft.

Cost to erect a building shell within last 12 months:
Mean: $24.90 per square foot

Source: *Chain Store Age Executive* research.

Check Out
Beauty Aids

Drug chains' aggressive remodel and construction programs continue in 1984.

Thrifty, based in Los Angeles, is another chain dedicated to remodeling. Its long-range goal is to recast the entire roster in the mold of what management has dubbed its "Perfecto" prototype. By August 1984 (the end of Thrifty's fiscal year), about 320 of the chain's 540 outlets will have been converted to the 18,000-sq.-ft. Perfecto format—including 49 such conversions in the current year. Thrifty

For more information circle 18 on reply card.

plans to open only 18 new stores in the same period.

Other chain drug operators, by contrast, are spending the bulk of their budgets on new construction. Longs Drug, Walnut Creek, Calif., for instance, is beefing up its new-store slate considerably, as management plans to open 13 drug stores in the fiscal year ending January 1985. The cost? According to one Longs exec, the lion's share of $36 million in budgeted capital expenditures will be devoted to these openings.

That's a far cry from last year, when the chain opened only seven new units—and two of those were replacements for existing stores. Capital spending in fiscal 1984, ended Jan. 26, totaled $27 million, but some of that was used to fund the chain's pharmacy computerization program and other projects. In fact, by early 1986, Longs will have spent some $10 million to install computers in its pharmacies.

Unlike many chain drug store operators, Longs does not adhere to a single prototype for new construction. "Our stores average 25,000 to 26,000 sq. ft.," says Richard Scott, executive vp, "but we're now building stores that are less than 25,000 sq. ft. and more than 30,000 sq. ft. We will adjust to good sites. We will not miss out on excellent opportunities" because they don't fit a given store-size scheme. ■

HOME CENTER PROFILE

HARDWA
FURNITURE
PAINT

Home Depot reports sales of $256 million, an increase of 117% over fiscal 1983.

Warehouse tidal wave rolls on

Warehouse home centers continued to multiply and change the look of the retail home improvement industry in 1983.

At year end, there were 47 high-volume warehouse outlets across the country operated by 11 chains—compared with only eight warehouse stores at the end of 1982. *National Home Center News*, a Lebhar-Friedman publication, predicts nearly 150 warehouse stores will be operating before 1984 is over.

One of last year's success stories is Home Depot, which debuted its first two units in an Atlanta suburb only five years ago. At the end of its fiscal year, Jan. 29, 1984, the warehouse chain had grown to 19 stores with sales of $256 million, an increase of 117% over the previous year.

Significantly, Home Depot, traded over-the-counter since going public in 1981, was listed on the New York Stock Exchange in April, perhaps signaling to Wall Street that the high-volume, low-margin formula will be a long-lasting phenomenon.

Home Center

Existing stores:
Mean: 26,400 sq. ft.

Amount of selling space available in typical store:

Mean:	**Median:**
17,800 sq. ft.	**14,800 sq. ft.**

Stores opened in 1983-84:
Mean: 33,900 sq. ft.

Amount of selling space available in stores opened 1983-84:

Mean:	**Median:**
26,200 sq. ft.	**23,900 sq. ft.**

Cost to erect a building shell within last 12 months:
Mean: $20.10 per square foot

Source: *Chain Store Age Executive* research

Healthy sales increases and profits were the rule for the entire home center industry last year, which was propelled by the upturn in housing starts and consumer spending.

The nation's top 100 home center retailers posted a 23.7% sales boost to $14.6 billion in 1983 compared with the $11.8 billion sales generated the prior year. These largest DIY chains operated 4,259 stores at the end of 1983, an increase of 55 units from year-end 1982.

Judged by total sales, the industry leader is Lowe's, North Wilkesboro, N.C., which generated $1.4 billion at its 238 units, followed by W. R. Grace, the New York parent of seven DIY chains with 286 outlets which hit the billion dollar mark in total sales for the first time in 1983.

Ranked by store locations, 84 Lumber—based in Eighty-Four, Pa.—continued to be the largest chain in the industry, with a net gain of 14 units to end the year with 384 stores.

While industry observers seemed preoccupied with the warehouse retailing strategy, sales growths last year were logged by chains with much different operating philosophies.

Payless Cashways, a full-line building materials specialty retailer, at year end operated 118 Payless Cashways, Furrow and Lumberjack facilities in 15 states. Payless, headquartered in Kansas City, Mo., is growing by acquisition of existing DIY chains as well as new store construction. Its 1984 budgeted capital expenditures is approximately $80 million. Payless' 1983 sales were $865 million, a 43% increase over the earlier year, and its store count jumped by 18 units.

Meanwhile, some traditional full-line center operators jumped aboard the warehouse bandwagon last year. Pay 'n Pak, a 100-unit chain based in Kent, Wash., has converted several stores to a higher-gondola warehouse configuration, and in late May opened a mammoth warehouse in Honolulu that required $12 million in site costs and improvements.

W. R. Grace has outfitted about half of its Handy City and Handy Dan stores, averaging about 35,000 sq. ft., with warehouse-style racking.

Builders Emporium, the southern California-based division of Wickes Cos. (now expected to emerge from its Chapter 11 bankruptcy proceedings by year's end) is also experimenting with warehouse retailing at its 60,000-sq.-ft. superstore in Tustin, Calif. The 56-unit DIY chain is one of several in the competitive California market gearing up for battle with the ongoing arrival of low-margin warehouse operators. ■

giftware
dinnerware

Best's showrooms maintain a uniform look using banners with silkscreened department names.

Design packages establish image in graphic detail

"One of the most cost-effective ways of creating an image in a store is through graphics. It will certainly cost you a lot less than architecture," says Kenneth Walker, president, Walker/Group, New York, an independent design firm.

Walker's comments should be taken to heart in this time of heavy expenditures on store remodeling. His comments illustrate the importance of a store's total graphic package, which includes signage and other graphic representations.

"Depending on the level of the store—starting with a drug or mass marketer at the low end, all the way up to a higher end specialty store—the relationship between graphics and the overall design becomes more important," Walker observes. "For example, for a mass marketer, graphics can make or break the store. In a department store or specialty store, graphics can add a touch of personality but are usually not the dominant feature."

A successful graphics package, in Walker's opinion, is one in which the signage, advertising and merchandise bags all work together. "And if you have a strong graphic program, you'll have a strong retail identity."

Getting a fix on how to execute that identity through signage can be tough. "People use so many different philosophies, and that changes with the times and with the image you try to maintain with the customer," notes Robert Brusa, assistant vp, director store planning and construction at Ames Department Stores, Rocky Hill, Conn.

His company, like many others, has been struggling to find a happy medium between "sign pollution and sterility." What it has come up with is 17 major wall signs for department identification and 21 subdepartment and informational hanging signs.

"From a readability, cleanliness point of view," Brusa continues, "I'm quite convinced that a light letter on a dark background is far more readable, brighter and clearer." As a result, Ames is going with off-white styrofoam lettering on a red background.

Styrofoam is still the most widely used material, according to interviews conducted with store planners. James Cline, director of store planning for Ribordy Drugs, Valparaiso, Ind., offers some insight: "They [styrofoam signs and letters] are easy to install, more durable than you would expect and readily available on a stock basis in many different styles. Styrofoam is cheaper than other materials and so light that you don't need any major fastening to keep them on the walls."

Granted, he admits, Styrofoam is not as durable as wood—but with the frequency that stores are remodeled, "you don't need 20-year durability."

"Signage," says Cline, "is the finishing touch when it comes to interior decor." Unfortunately, one important aspect of signage, as well as interior decor, is not given the attention it deserves, as Cline sees it.

"I don't think we're responsive enough to color trends. Sometimes the average retail unit is so far behind that we miss trends, especially drug stores.

"We are learning how important color is; it's much more important than people realize. Colors are not often understood as a merchandising tool; they're taken for granted. There's usually too much personal taste of the company in their selection and that's not always good design practice."

Walker has his own pet peeves

Cost per square foot for interior signage

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(164)*	(30)*	(26)	(26)*	(25)	(29)*	(26)*
	%	%	%	%	%	%	%
Less than $0.15	44	37	43	23	60	52	50
$0.15-$0.25	20	23	21	15	24	24	12
$0.26-$0.50	14	17	21	27	—	10	8
$0.51-$0.75	5	7	4	12	4	7	—
$0.76-$1.00	4	—	4	12	—	3	4
$1.01-$2.00	1	—	—	—	—	—	4
$2.00+	3	7	—	4	4	—	4
Not applicable	1	—	—	—	—	—	8
Don't know/ no answer	8	10	7	8	8	3	12
(MEAN)	(0.30)	(0.37)	(0.23)	(0.44)	(0.24)	(0.21)	(0.34)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Information included in the physical support systems section of this Census Issue examines the latest materials developments and the costs and lifespans of these materials. The average costs of particular support systems are presented by relevant retail categories.

Lifespan of interior signage

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(176)*	(30)*	(30)	(30)*	(29)*	(30)*	(27)*
	%	%	%	%	%	%	%
4 years or less	19	7	17	7	38	27	18
5 years	20	27	13	17	17	27	18
6-9 years	14	10	20	33	7	10	4
10 years	22	40	23	27	3	13	26
11 years or more	11	7	10	10	10	17	11
Forever	2	7	—	—	—	—	7
Not applicable	3	—	7	—	3	—	7
Don't know/ no answer	7	3	10	7	21	7	7
(MEAN)	(9.9)	(14.6)	(7.4)	(8.2)	(5.3)	(7.8)	(5.5)
(MEDIAN)	(7.5)	(10.1)	(8.3)	(8.8)	(4.0)	(5.8)	(10.0)

*Does not equal 100% due to rounding.

Source: Chain Store Age Executive research

about the shortcomings of interior graphics. "The worst thing a store can do right now is think that putting up photographs everywhere is going to create an image. That's the kiss of death for a smart retailer; everybody's doing it. Every store's starting to look the same." The biggest offenders are supermarkets, says Walker. "You buy photographs by the yard for supermarkets."

Instead, his firm is trying to combine the function of signage with the impact of unusual graphics through the use of silkscreening. The medium offers more flexibility and creativity. Best Products, a Richmond, Va.-based catalog showroom chain, has found that silkscreened banners give it "a more upgraded look," according to Dawn Haddon, showroom planning coordinator.

"Our image is somewhere between a discounter and a department store," she explains. "Discounters go for more aisle markers and category signs; department stores go for less signage and let the merchandise speak for itself."

Best uses a combination of category signs and operational signs, "because a lot of people don't know how to shop a catalog showroom."

The showrooms maintain a uniform look throughout, using hanging fabric banners with the department names silkscreened onto them, although, Haddon points out, "we use more graphics as opposed to words in the toy and sporting goods departments."

With the countless signage and graphic options open to store planners, what is the best route to take while avoiding the pitfalls?

"Create your own format, one that's unique to your store," advised Walker. "With some sensitivity to graphic design, you can do well. It can be just beautiful type treatment, or illustration, or imagery of various sorts. Just hire some good graphic designers and turn them loose." ■

INTERIOR LIGHTING

New illuminating attitudes

Creativity. Experimentation. Change. These words aren't normally associated with retail lighting. But, surprisingly enough, they sum up the current attitude of store engineers and store planners when it comes to illuminating stores.

Certainly they are still paying close attention to the three major roles of lighting in merchandising: making certain that the light serves to attract the customers; providing enough light for close appraisal of the merchandise, and creating the desired store atmosphere. Energy cost considerations, of course, continue to play a major role in lighting decisions.

Yet, they aren't taking their old choices for granted. Instead, there is an obvious willingness to experiment to find what may very well prove to be the better choice.

"There is no question that retail chains are becoming more sophisticated when it comes to their interior lighting," says Frank LaGiusa of General Electric. "They recognize that using the old super simplistic methods are giving them no competitive edge in differentiating their stores from others in their market. They realize that they have got to be smarter in the way they do it, especially since the old ways were often too inefficient."

Nowhere is this trend more apparent than in the supermarket industry. During the past several years, and over the last 12 months in particular, chains across the country have been waking up to the fact that store image, promoted primarily through store decor, is their best weapon to not only expand market share but also to hold onto what they have.

Specifically, in responding to shifting demographics in many market areas and while joining in the upgrading trend taking place throughout the retail industry, supermarket operators have been busy adding a variety of new departments.

One-stop shopping has come to the supermarket industry through the increased availability of nonfood merchandise, health and beauty aids, fresh fish departments, service delis, in-store scratch bakeries, lavish floral departments, expanded book and card sections and whatever else managements' imaginations devise.

Color rendition is a major factor in choosing overhead lighting fixtures.

A chief example is the Waldbaum's supermarket chain, headquartered in Central Islip, N.Y. Waldbaum's has been intent on getting rid of many of its older stores while coincidentally developing a more flexible format.

At its new store in Long Beach, New York, for instance, Waldbaum's has created what it refers to as a megamarket. The name is used not because of the store's size but because of the products and services it offers. These include an in-store bakery, custom meat departments, a salad bar and a fresh flower department.

This particular store is 45,000 sq. ft., although Waldbaum's has already opened a number of stores at the 60,000 sq. ft. level and has even larger ones on the drawing board.

Cost per square foot for interior lighting

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(159)	(30)	(25)	(28)	(24)*	(29)*	(23)*
	%	%	%	%	%	%	%
Less than $0.15	8	10	4	4	8	17	—
$0.15-$0.25	14	13	16	—	—	41	13
$0.26-$0.50	13	17	20	11	8	10	13
$0.51-$0.75	6	—	4	11	4	7	9
$0.76-$1.00	7	10	4	14	8	—	4
$1.01-$2.00	23	30	20	39	25	7	17
$2.01+	12	3	12	7	21	7	26
Not applicable	1	—	—	—	4	—	—
Don't know/ no answer	16	17	20	14	21	10	17
(MEAN)	(0.96)	(0.85)	(0.92)	(1.15)	(1.31)	(0.48)	(1.22)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Lifespan of interior lighting

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)	(30)	(30)*	(30)*	(30)	(30)*	(30)
	%	%	%	%	%	%	%
3 years or less	16	27	37	7	3	13	10
4-9 years	17	3	17	10	17	33	20
10 years	21	17	13	27	20	17	33
11-15 years	16	27	17	10	20	13	10
16-20 years	18	20	10	30	23	20	7
21 years+	4	3	—	7	7	3	3
Forever	3	3	—	3	3	—	7
Don't know/ no answer	5	—	7	7	7	—	10
(MEAN)	(14.1)	(14.8)	(8.0)	(17.0)	(16.9)	(10.5)	(17.7)
(MEDIAN)	(10.7)	(11.6)	(7.6)	(12.7)	(12.7)	(10.2)	(10.4)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

The attitude when planning each of these stores is that "lighting is a very important part of the whole presentation," says Robert Levine, director of architecture. "We want to highlight each department in the best way possible and I've found that one of the key elements is using different types of fixtures and lamps throughout the store." These can include industrial-type fixtures, canopy lighting and whatever else Levine and his staff come up with.

Managing to obtain the more efficient and effective use of these fixtures through placement and the right combinations "is definitely a science, but we have found that by experimenting we have been able successfully to accomplish many things," says Levine.

"Certainly, though, doing more with lighting adds considerably to the overall costs, but at Waldbaum's the decision to move in this direction was based upon the design of our stores and our feeling that lighting was absolutely essential to the direction in which we have been moving."

He adds, "Decor is a part of a store's identity and creating a store identity is now integral to a store's success."

That's a lesson that's also been learned by store designers in many other areas of retailing, including the discount store field. As Heck's, the discount store chain headquartered in Charleston, W. Va., remakes the image of its stores, updating the lighting is playing a major role. Here, improving maintenance is key.

According to Ben Shew, Heck's energy manager, the chain is taking steps to improve its lighting in a number of ways. First, "We are scheduling relamping to improve the light, to reduce the cost of maintenance and thereby to increase the overall lighting efficiency," he says.

As a result, "Through relamping we have been able to reduce the number of fixtures on the ceiling by about one-third, while still maintaining the level of lighting at 80 footcandles which is sufficient for merchandising."

He adds, "The level had been about 120 footcandles without the maintenance program, and with it, the level would be well above that—there would be far too much glare. But what we have done is move from 8-ft. centers on the fixtures to 12-ft."

Another step aimed at improving the efficiency and lowering the costs of lighting is that "At our fluorescent-using stores, we have put in some wattage reducers, still making sure to maintain 75 to 80 footcandles."

In stores where mercury vapor lighting is still in use, says Shew, "We are testing a program of converting 400 watt mercury lights to 175 watt metal halide. This reduces the energy costs, maintains good footcandle levels and improves color rendition."

Shew adds that "We are just entering into a contract for one store and this will give everyone a chance to look at it. We have 35 stores still with mercury vapor and we expect that we will eventually change over all of them."

In developing a more flexible format, Waldbaum's uses different types of fixtures and lamps throughout

When it comes to fluorescents, Shew is well aware that "There has been quite a bit of change in the technology and we are looking at the possibility of improving the color rendition in all of our stores. I am going to propose that we do a test with some of the newer lamps and fixtures.

"The manufacturers in some cases are still asking a premium for these products," he says, "but I think we will eventually convert to them if cost is not too much of a problem."

Improving color rendition is also very much on the mind of Jim Cline of Ribordy Drugs. Although his chain continues to use standard fluorescents, "There are obviously more efficient, less expensive fixtures to use. But the big hang-up in not going to metal arc or in not going to high-intensity discharge is that those products are still in a state of flux. There has also been a problem in that some people don't like the color quality of those products."

He says that "The situation is similar to what happened when people went from incandescent to fluorescent—people didn't like the color quality then either. But I think that metal arc is much closer to fluorescent than fluorescent was to incandescent. It's just a matter of time until people move in that direction."

LaGiusa points out that "Today low voltage lighting is becoming more widely understood. In addition, everyone now is interested in upgrading their stores, but they don't want to upgrade so much that it is a turn-off to customers. They are being careful in their lighting choices." ■

←For more information circle 22 on reply card.

Estimated cost per square foot for fixtures

		Total		Discount		Drug		Supermarket		Department		Home Center		Specialty
	(Mean Base)		(Mean Base)		(Mean Base)		(Mean Base)		(Mean Base)		(Mean Base)		(Mean Base)	
Showcases	(116)	$5.58	(21)	$5.45	(20)	$2.59	(15)	$2.20	(24)	$7.79	(17)	$1.16	(17)	$12.68
Gondolas	(126)	5.15	(22)	3.42	(25)	3.57	(24)	2.94	(17)	8.09	(24)	5.60	(14)	10.11
Glass cubes	(82)	4.10	(19)	2.89	(14)	3.27	(2)	0.75	(22)	6.15	(16)	1.06	(9)	9.08
Small racks for accessories	(131)	3.60	(22)	2.32	(22)	1.88	(19)	1.25	(22)	5.83	(23)	1.75	(23)	8.12
Large racks for apparel	(95)	3.44	(20)	2.48	(9)	3.72	(14)	1.57	(24)	5.57	(18)	1.78	(10)	5.60

Source: *Chain Store Age Executive* research

Success with fixtures generates more sales

Store planners aiming to utilize retail space efficiently are placing more emphasis on fixture design as they strive to expose as much merchandise as possible to shoppers.

The planners are devoting less square footage to storage/receiving areas and attempting to boost sales by placing more merchandise on the sales floor.

The effort to "maximize the cube"—efficient use of the building's retail space—is prompting some retailers to re-examine their long-time fixturing programs. According to several fixture manufacturers, just as merchandise needs updating, store fixtures do also.

Some retailers, however, decide that to amortize their investments in this physical support system category, they must hold onto fixtures even when they have worn out. Fixtures have lifespans: The range is eight to 12 years, some fixture makers estimate.

At Zale Corp., the Dallas-based jewelry chain, a solution to the problem of what to do with outdated fixtures has been found. (The corporation, which has 1,554 jewelry stores in the United States, Europe and Japan, reported 1983 sales of $1 billion.)

Standardization in Zales' program contributes cost-control efficiencies, says Kimball

Zale recycles its fixtures. When Zale closes a store, it ships the fixtures to a refurbisher under contract to the company. They are overhauled and placed in a Nevada warehouse. The redone fixtures are usually returned to company stores "where the budget ~~is an~~ important criteria"—usually secondary markets, says Brent Kimball, Zale store designer.

One example, he continues, was the relocation of a Zale unit in a Topeka, Kan., shopping mall earlier this year. "The store was in-line and we had an opportunity to move to a corner location," Kimball explains. "We used refurb fixtures in that new store."

Zale's primary fixture supplier is Storecraft Manufacturing, Beatrice, Neb. The stores average 1,200 sq. ft., including a small stockroom and office where customers make credit purchase arrangements. The main fixtures are modular glass showcases for both display and storage of jewelry. Floor-to-ceiling wall displays are also incorporated into the design.

The showcases, which Kimball says "take the most abuse," are designed to be put together in different configurations. He adds, "We can take a case in New Jersey, refurbish it and use it in a Florida store." The cases are durable. "The hardware on drawers and the glass need replacing periodically," Kimball acknowledges, "but the stainless-steel legs never wear out. We use oak for the cases and about the worst that can happen is cigarette burns."

This year Zale will open about 150 new or retrofitted stores and close another 80 units. Kimball says that Zale never makes radical changes in its fixture program, a standardization that contributes cost-control efficiencies to the company.

An innovative approach to utilizing fixtures to enhance a store's contemporary look is under way at Lerner Shops, the 800-unit chain of moderate-priced women's ready-to-wear apparel.

Designer Ken Walker says Lerner units previously contained "a sea of

Lerner plans to renovate or open 200 stores this year with newly designed fixtures.

Lifespan of fixtures

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)*	(30)*	(30)*	(30)*	(30)	(30)	(30)
	%	%	%	%	%	%	%
7 years or less	16	20	10	7	27	7	27
8-9 years	16	3	10	20	23	10	27
10 years	28	47	23	30	20	33	13
11-19 years	24	23	30	27	23	27	13
20 years or more	8	3	10	—	—	23	10
Forever	3	3	3	10	—	—	3
Don't know/ no answer	6	—	13	7	7	—	7
(MEAN)	(14.1)	(13.2)	(14.9)	(19.9)	(8.9)	(13.9)	(14.1)
(MEDIAN)	(10.6)	(10.6)	(11.0)	(10.7)	(9.7)	(11.0)	(9.5)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive research*

racks and no focal point." Such emphasis on racks, Walker believes, "only works for the very lowest end of the marketplace.

"Value used to be defined as price and quality," Walker continues. A store jammed with apparel racks may have good prices and quality merchandise, but if "everything looks better through presentation, that translates to value in the customer's mind," Walker says.

Walker custom-designed a grid-like fixture about 8 ft. wide that reaches from floor to ceiling. The Lerner stores, which average 7,000-9,000 sq. ft., each have six to 10 grid fixtures. Walker says they are permanently affixed right off the main aisle and "form focal points as you walk down the aisle." Attached to the black-painted metal fixtures, depending on store location, are shelves, bins, graphic panels and photographs.

"There are still a lot of four-ways and racks," Walker notes. But he says the grid-like fixtures allow customers to see merchandise "in isolation, whereas in a sea of racks everything starts to blend in with everything else."

Lerner tested the Walker-designed racks in 10 stores in 1983 and is renovating or opening about 200 stores this year with the new fixtures. The remaining units will be revamped in the next three to four years, Walker says.

Adaptability is a key focus of many retailers as they attempt fast-track expansion plans. Claire's Boutique, the 216-unit specialty chain based in the Chicago suburb of Bensenville, Ill., plans to open 40 new stores this year and approximately 80 in 1985, reports James Saum, construction manager.

The 600- to 700-sq.-ft. stores sell low-end costume jewelry, purses and handbags. Saum says that Claire's Boutique has gone to a "much more flexible" slotted wall merchandising approach. Previously, perimeter walls were outfitted with plywood panels containing horizontal grooves in which pegs were permanently affixed.

"Before, to keep up with style changes, it required a carpenter, a new fixture and store renovation," Saum says. "Now, slot wall gives us versatility—we can totally move the store around. What's on the right side this week can be on the left side next week."

Claire's Boutique uses a slot wall manufactured by Perma-Groove, Minneapolis. The light gray-colored wall consists of a sheet of MDF board coated with Formica. The slot wall is situated along the store's perimeter.

The specialty chain also uses a custom-designed Plexiglas jewelry display made by Fixture Hardware, Chicago. These fixtures attach to the slot wall. Three display tables containing two tiers each are positioned on the sales floor.

Saum says that the cost per square foot of fixtures at Claire's is lower than the industry average. He reports that fixtures cost in the range of $4,800 to $5,800 per store. Some 30 to 40 stores are remodeled each year, with the total cost of interior work, not including new fixtures, approximately $10,000, he says.

Radio Shack, the retailing arm of Fort Worth-based Tandy Corp., is also using a slot wall fixture for its new telephone stores. The fixture is manufactured by the commercial division of Masonite Corp. Radio Shack designers chose a gray and red color scheme—a gray high-pressure laminate finish and red burgundy stripes in the slotted grooves—to emphasize a sophisticated, contemporary look that they hope will appeal to the business customer. ■

SHOPPING CARTS

Variations accommodate specific retailer needs

When it comes to just about every aspect of the shopping experience, consumers are becoming pickier—and that applies to shopping carts, too. Consequently, they are no longer being taken for granted.

Models shown at the recent Food Marketing Institute annual convention served to highlight the latest trends. Certainly there were the "standard" steel versions, but there was also a wide range of variations to accommodate specific shopping needs.

For example, the very existence of the superwarehouse store is helping to cause a revolution of sorts in the industry. With consumers reportedly shopping these stores fewer times per month than they do conventional formats, they are out to buy more goods per visit. Consequently, they need larger carts—and the industry has responded.

However, shopping carts are heavy to begin with, ranging anywhere up to 45 lb. Bigger carts became heavier still, but manufacturers are attempting to do something about it. The answer: using plastic materials.

An added benefit of plastic, point out both retailers and manufacturers, is that these carts are also often easier to maintain than the all-steel versions, especially since they avoid the problem of rust.

Capacity, construction of the cart and type of wheels are the major criteria for buying shopping carts

In addition, consumers are reportedly responding well to the plastic carts, fearing less damage to automobiles from carts left on parking lot grades.

The major criteria for buying carts include the space capacity, the construction of the cart and the type of

Consumers shop fewer times per month, buying more items per trip and need more versatile carts.

Average cost of shopping carts purchased during last 12 months

	Total	Drug	Supermarket
(Bases)	(60)*	(30)	(30)*
	%	%	%
$25-$50	18	30	7
$51-$75	32	33	30
$76-$99	27	7	47
$100+	7	13	—
Don't have	10	10	10
Don't know/ no answer	7	7	7
(MEAN)	(71.56)	(66.80)	(76.32)

*Does not equal 100% due to rounding.
Source: *Chain Store Age Executive* research

Lifespan of shopping carts

	Total	Drug	Supermarket
(Bases)	(60)	(60)	(30)*
	%	%	%
4 years or less	38	47	30
5-9 years	28	13	43
10 years or more	15	20	10
Forever	2	—	3
Don't know not applicable	17	20	13
(MEAN)	(7.6)	(5.7)	(9.3)
(MEDIAN)	(5.6)	(4.9)	(6.5)

*Does not equal 100% due to rounding.
Source: *Chain Store Age Executive* research

wheels.

In addition to the increased acceptance of all-plastic carts, retailers are also responding favorably to such "new" types as vinyl-coated steel and nylon-coated steel construction.

The fixture buyer at various chains continues to specify most of the shopping cart choices—usually submitting the products to rigorous testing. Manufacturers and retailers both point out that careful evaluation has become particularly important in view of the rising costs of shopping carts.

According to *Chain Store Age Executive*, the average cost of shopping carts purchased during the last 12 months by supermarket operators was $76.32.

In the drug industry, another large user, the average was $66.80, reflecting the smaller sizes used by this class of trade. ■

ROOFING

Ideal roofing material still subject of much controversy

The controversy among store planners and construction execs over what is the "ideal" roofing material still goes on, and is likely to continue for many years to come.

Weather conditions and the availability of qualified labor are two factors that vary from region to region, making it difficult for any roofing expert to make an across-the-board evaluation and recommendation of any single material. Also, conditions affecting the choice of a replacement roof vary from building to building, depending on the condition and weight of the existing roof.

Chain Store Age Executive's 1984 retail census shows that, despite the proliferation of roofing options, the majority of retailers (51%) are still avoiding the untested waters and are sticking with the conventional built-up roof (BUR).

Following BURs in popularity this year are single-ply roofs at 23%, metal at 15%, fabric at 4% and all others at 6%.

According to interviews conducted with store planners and construction execs, the big shake out between BURs and single-ply roofs is yet to come. The use of single-ply roofing systems is relatively new to retailers and, as one supermarket chain engineering director put it, "It hasn't been around long enough to see just how long it's going to last."

Other engineering and store development execs agree that single-ply is more durable but it's also more expensive—a factor that weighs heavily against it if the building is leased and it is the lessee doing the work.

However, Brian Class, vp at Rite Aid, Shiremanstown, Pa., points out that "as the price of oil goes up, the cost of BURs is moving up to meet single-ply." He also notes that BURs are labor intensive as compared to single-ply, and this is another factor that is helping to drive up costs.

Another major consideration when choosing a roof is the warrantee. "It is strictly the installer who guarantees the BUR, not the manufacturer of the materials. So you've got to be careful," warns Glass. "In a business where you can't be there when the work is being done, you're always going to have quality control problems."

As an example, Glass cites a situation where a roof is being installed, a sudden thunderstorm comes up and the insulation material gets wet. "Do you really think they're [the installers] not going to use that insulation?"

Ken Grieve, vp-maintenance at Grand Union, Elmwood Park, N.J., warns against the same thing. "If the specs call for putting on ¼ in. of tar, then tar paper while the tar is still hot and then another layer of tar, etc.—suppose no one is looking and the roofer leaves out a layer of tar paper? Or suppose he waits too long and the tar cools and the paper doesn't stick?"

This sort of quality control problem is common, construction execs say, and this is where single-ply roofing comes out on top. "I would recommend," says Glass, "that when putting on a single-ply roof, you get a manufacturer who will warranty it after he has a field inspector look at it." Those warranties generally range

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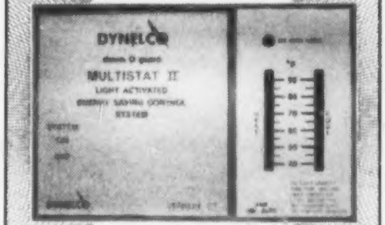

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Cost per square foot for roof types

(Mean Base)	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
Single-ply membrane (42)	$2.34	$2.44	$2.35	$2.64	$2.25	$1.75	—
BUR (92)	2.04	1.91	2.18	2.28	2.43	1.50	—
Metal (27)	1.46	1.05	—	—	—	1.18	$5.50
Fabric (7)	1.25	0.75	—	—	—	1.75	—

Source: *Chain Store Age Executive* research

Lifespan of roofs

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)* %	(30) %	(30)* %	(30)* %	(30)* %	(30)* %	(30)* %
10 years or less	18	27	13	17	17	27	10
11-15 years	28	30	40	33	37	23	3
11-19 years	8	—	7	17	17	3	3
20 years	22	40	23	27	20	23	—
21 years +	6	—	—	7	3	20	3
Forever	1	—	3	—	—	—	—
Don't know/ no answer	18	3	13	—	7	3	80
(MEAN)	(15.9)	(15.2)	(18.4)	(15.6)	(15.6)	(16.1)	(10.7)
(MEDIAN)	(15.1)	(14.6)	(14.8)	(16.0)	(15.1)	(15.6)	(11.0)

*Does not equal 10u% due to rounding.

Source: *Chain Store Age Executive* research

Types of roofing

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)* %	(30)* %	(30)* %	(30)* %	(30)* %	(30)* %	(30)* %
BUR	51	57	70	70	43	50	17
Single ply membrane	23	13	23	47	33	17	7
Metal	15	20	7	7	—	33	23
Fabric	4	7	3	3	—	7	3
All other mentions	6	10	7	3	7	10	—
Don't know/ no answer	16	7	7	—	20	3	60

*Adds to more than 100% due to multiple responses

Source: *Chain Store Age Executive* research

from 10 to 20 years, as compared to a BUR, which usually comes with a 10-year warranty that includes recoating if it's not ballasted.

A new category added to this year's census is fabric roofing, a material that has very limited retail applications and, even then, is predominantly found covering malls.

Owens-Corning Fiberglas, a leading manufacturer of the Teflon-coated fiberglass material, is seeking to change that, now that it has successful applications at two Bullock's department stores in California.

Pat Reardon, general manager at Bullock's in San Mateo, reports that because the material is translucent, "practically no artificial light is used during the day" on that portion which is covered by the fabric roof.

The building, which was constructed in 1978, was designed to accommodate a fabric roof because "at that time there was a heavy emphasis on energy conservation," says Reardon. Since then, she reports less of a leakage problem than with conventional roofing. And when there is a problem, "we just go up there and put on an iron-on patch, just like you would with a pair of jeans."

Regardless of the type of roof chosen for a particular job, experts say the success of a roof depends on planning done before the job even starts. A preroofing conference should be conducted with the contractor, the planner and either a roofing specialist, architect or engineer. ■

Looking up to design elements

For small, below eye-level merchandise, a dropped ceiling creates a "home type" feeling.

"Let's put it this way, if it weren't there it would be missed," says one store planner, explaining how a store ceiling functions as a design element.

Enthusiasm about ceilings does not run high among most planners. Only a select few have very strong feelings on the effect of the ceiling on overall presentation. Most agree with Robert Brusa, assistant vp, director store planning and construction for Ames Department Stores, Rocky Hill, Conn.: "Basically, ceiling tile is purchased on functionability. There are certain insulating qualities and acoustical benefits you look for.

"I'm not an advocate of spending a lot of money. If you just keep it nice and neat and clean, it serves its purpose."

Since it is not directly tied to selling, most planners say the ceiling should be inexpensive and functional—a description that best fits 2x4 lay-in panels, the most popular ceiling choice.

Manufacturers offer several shades to choose from and the panels are easily removed and/or replaced in the event of roof or plumbing leaks.

Despite the apparent uniformity in ceiling selection, however, a small handful of store planners wouldn't go that route if they had their choices.

Cost per square foot for ceilings

Tegular 2x4 ft. lay-in panel	$2.50
2x2 ft. lay-in panel	1.75
Tegular 2x2 ft. lay-in panel	1.75
2x4 ft. lay-in panel	1.24
Plaster	1.13
Concealed spline	0.75

Source: *Chain Store Age Executive* research

"I personally feel that the ceiling is important to the overall design. But a lot of people design off the floor, not the total cubic space," says one store planner. "But the general approach here is to just put in the cheapest ceiling possible. People don't usually look up; it's just there to give ambience. So, if you're selling merchandise at eye level, you don't want to put a whole lot of money into the ceiling."

An even smaller group of store planners, particularly those involved with specialty store planning, have more leeway when it comes to selecting the design elements of a store, and "ceilings," says one such planner, "are one minute part of an entire package.

"You can't go in and address one particular item like a ceiling, a wall or a floor," he continues, "It's all got to tie together. You have ceiling transitions, floor transitions, wall transitions. Sometimes the ceiling over the escalator well may bleed over into the apparel shop and it's visible from five points on the floor. So, you have to think in three dimensions."

While he admits cost is "one of the first things you take into consideration," the overwhelming factor is what merchandise is being displayed.

"For example, intimate apparel is a very elegant space. You would not want to put anything into that space unless it had an elegant look; you wouldn't put in a lay-in ceiling or a tile ceiling," he points out. "I think that's an example of a classy selling department where you would spend more money than in a children's department or a men's department. The more expensive the merchandise, the more money is spent on that space to house it, show it, sell it."

A good deal of the importance of a ceiling is derived from its ability to house the type of lighting that will be used. "If your ceiling is not the right height or the right configuration for the space, then you've defeated everything. Because," he notes, "if the merchandise is not properly lit, then you're in trouble."

More and more store planners are turning to dropped ceilings in certain selling areas as an inexpensive method of creating focal points.

Best Products, which is upgrading the image of its jewelry department, dropped the ceiling over that area "to set it off from the rest of the showroom," explains Dawn Haddon, Best's showroom planning coordinator.

"We have a very high ceiling in the other areas of the store, so we dropped it in jewelry to give a more comfortable feeling to the department.

"When you're looking at small merchandise," she continues, "you need a lower ceiling. If you're displaying below eye level, by bringing down the ceiling you get a more 'home type' feeling."

That more intimate ambience is also being sought in the home electronics departments of various chains. One store designer explains that the home look is much more effective when displaying televisions, stereos and VCRs. ■

Lifespan of ceilings

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)	(30)*	(30)*	(30)	(30)*	(30)*	(30)*
	%	%	%	%	%	%	%
9 years or less	16	13	23	17	—	20	23
10 years	24	30	20	33	10	20	30
11-19 years	23	43	23	17	33	10	13
20 years +	25	10	23	23	43	37	13
Forever	5	—	7	7	3	7	7
Don't know/ no answer	7	3	3	3	10	7	13
(MEAN)	(18.4)	(12.8)	(18.8)	(19.2)	(20.8)	(21.0)	(17.9)
(MEDIAN)	(13.6)	(12.0)	(12.9)	(11.0)	(23.0)	(17.0)	(10.7)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Most stores adopt a mix of materials

When it comes to flooring, retailers are discovering that there is usually no single material that meets all their needs.

In the past, the 35-unit discount division of Danners installed vinyl asbestos tile floors in its 3-D stores. David Danner, vp- store planning, explains that as Danners remodels those stores, and some of its 12 variety stores, it is incorporating some carpeting in the new store design to lend a more upscale look.

In the discount division, half a dozen of the stores have had carpet installed. In those remodels, 50% of the floors are carpeted. The tiled portion of the store is done with Kentile VAT, which Danners buys for about $1 per square foot.

For the past three years, the J. C. Penney company has installed glued-down carpets in the stores it is modernizing. Frank De Sisto, design production manager, says the carpet is bought directly from Mohasco and stocked in an inventory the chain can draw from as it remodels.

As for the noncarpeted areas of the stores, Penney is moving toward ceramic tile. The appeal of that product is its low maintenance. The ceramic tile is simply mopped—it does not require buffing and polishing.

Tony Carlin, director of construction at General Nutrition, the health-food chain, says that the flooring design of his stores depends on their locations. If the store is in a mall, it's carpeted. If it is in a strip center or downtown location then vinyl asbestos tile is used—unless, says Carlin, "It's in a Beverly Hills-type operation."

The only segment of the mall stores which is not carpeted is a small aisle near the refrigeration units in the back of the 1,500 sq. ft. stores. What type of carpet is laid in the stores varies greatly according to local health rules. "We're in a different circumstance from clothing stores," says Carlin. "Local health departments require this type of carpet or that since we sell food."

Generally speaking, these health requirements do not drive up the price of the carpet. That only happens in upscale malls when "the landlord requires us to put in $20 a yard carpeting," says Carlin.

The average price of the carpet is around $10 per square yard, with a five- to seven-year lifespan.

The tile is either Armstrong or Azrock and is purchased in truckload lots. It costs 30¢ to 50¢ per square foot to have it installed by contractors, which is about the same as the cost of installing carpeting.

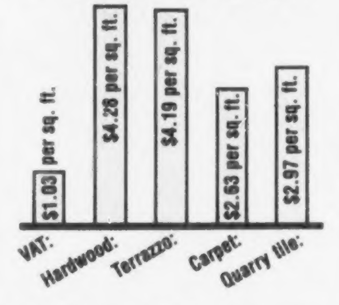
Bradford Bright, director of store merchandise for Payless Cashways, takes advantage of some of Payless' product line in the flooring of that chain's kitchen departments. But mainly, the stores are floored in a vinyl composition tile, 12 in. by 12 in., and 3/32 of an inch thick. The cost of the tile including installation is 90¢ per square foot, according to Bright.

In addition to carpeted kitchen vignettes, which cross-merchandise some of Payless' carpet lines, Bright is thinking of putting in some 12-ft. by 15-ft. hardwood floors in the kitchen department. The scheme calls for Hartco to subsidize the cost of flooring in stores that sell their product. The estimated cost of these "demonstration floors" will be about $500 to $600 per store. ■

Type of flooring used

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)*	(30)*	(30)*	(30)*	(30)*	(30)*	(30)*
	%	%	%	%	%	%	%
VAT	46	63	60	83	3	60	7
Carpet	43	43	23	—	87	10	97
Quarry tile	12	10	3	33	17	—	7
Hardwood	7	3	—	—	30	3	3
Terrazzo	3	3	3	7	3	—	3
Vinyl	9	13	7	7	10	17	3
Other mentions	12	3	10	10	20	27	3

*Adds up to more than 100% due to multiple responses Source: *Chain Store Age Executive* research


Average cost per sq. ft. for various flooring types

Source: *Chain Store Age Executive* research

SECURITY

Employees as crime-stoppers

Anyone attempting to pull off "the biggest little crime in America" at a Perry Drug Store better beware of coming up against Perry's Army because it's looking to "Clobber the Robber and Reap the Reward."

The crime in question is shoplifting; the army is Perry's employees. And "Clobber the Robber and Reap the Reward" refers to a program that rewards Perry's employees for information leading to the apprehension and prosecution of shoplifters.

Employee involvement programs for store security are winning favor among retailers in all retailing sectors. "The better security programs are those which include employees as a deterrent to theft," reports Charles Miller, president and owner of Loss Prevention Systems, Atlanta.

"The more you include employees in your security program, the less likely those employees are to steal from your store. Once they feel they are part of the program and not part of the problem, you get much greater cooperation. There is a natural tendency to be a little more honest," he says.

William Krupka, assistant vp for corporate security at Perry Drug, can attest to that. A recent call to the head of Perry's Army revealed an anecdote

Cost per square foot for security systems

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(172)	(30)*	(29)*	(30)	(26)*	(30)	(27)*
	%	%	%	%	%	%	%
Less than $0.15	30	23	38	30	15	37	37
$0.15-$0.25	26	40	17	27	27	27	15
$0.26-$0.50	12	10	10	17	19	3	15
$0.51-$0.75	2	3	7	3	—	—	—
$0.76-$1.00	5	—	—	—	12	13	4
$1.01-$2.00	2	—	—	—	8	—	4
$2.01 +	2	3	—	3	—	—	4
Not applicable	4	—	3	7	8	7	4
Don't know/ no answer	13	20	14	13	—	13	18
Refused	4	—	10	—	12	—	—
(MEAN)	(0.30)	(0.28)	(0.21)	(0.29)	(0.44)	(0.26)	(0.37)

*Does not equal 100% due to rounding. Source: *Chain Store Age Executive* research

Lifespan of gates and locks

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)	(30)*	(30)*	(30)	(30)*	(30)	(30)*
	%	%	%	%	%	%	%
2 years or less	19	33	20	3	7	33	20
3-5 years	20	13	23	37	13	27	7
6-10 years	21	13	23	17	17	17	37
11 years or more	17	23	10	13	27	13	17
Forever	4	3	—	7	—	3	10
Don't know/ no answer	19	13	23	23	37	7	10
(MEAN)	(12.3)	(11.5)	(6.6)	(16.0)	(11.1)	(9.4)	(18.7)
(MEDIAN)	(6.3)	(5.2)	(5.4)	(5.9)	(9.5)	(4.5)	(8.5)

*Does not equal 100% due to rounding. Source: *Chain Store Age Executive* research

about an incident only the night before in which an alert employee helped prevent a robbery.

Besides "Clobber the Robber," Perry also sponsors a silent witness program where a reward is paid for any information that leads to the arrest and conviction of anyone caught stealing.

Store security committees which meet quarterly are responsible not only for indoctrinating new employees into the program, but also for pointing out security deficiencies and identifying the causes and solutions for shortages.

While shoplifting by customers is the most publicized form of retail theft, Loss Prevention Systems' Miller believes that employee theft represents a greater dollar loss than shoplifting. While he admits there is a lack of hard statistics on the subject, he estimates that the average shoplifting loss in a supermarket is $12 per incident based on the value of what is usually recovered. "But when we apprehend an employee," he reports, "the actual recovery is 10 to 15 times higher on the average."

He explains the disparity between the figures by pointing out that the employee has firsthand knowledge of the company's strengths and weaknesses, plus the added temptation of working around money and merchandise all day.

As a way around both shoplifting and employee theft, many stores are turning to a combination of electronic article surveillance (EAS) systems along with plain clothes security guards. The EAS systems deter shoplifting while the guard can concentrate on employee pilferage.

Andrew Suntup, director of marketing for Knogo, Hicksville, N.Y., a manufacturer of a variety of EAS systems, admits that "The whole purpose of a system is not to actually catch a shoplifter, because then the store has to pay to take him to court; the merchandise would have to be held as evidence, and if it is something seasonal, you'd miss your seasonal period and the merchandise would wind up just lying around.

"The whole purpose is to deter the shoplifter, to show that the merchandise in the store is protected, therefore you wouldn't want to take a chance stealing from this store because you will get caught."

The large plastic disks or strips applied to soft goods act as their own warning that a system is in effect, says Suntup. Yet, some of the newer electromagnetic devices are not visible once applied.

Asked how the systems help prevent employee pilferage, Suntup explains, "While we are reducing the shoplifting theft your shrinkage will go down a certain per cent. Therefore, once shoplifting has been cut out, any rise in shrinkage or an overwhelming amount of shrinkage would then indicate the merchandise is being taken by employees. So your security people can concentrate on employee theft while the system will catch shoplifters."

Estimates put the average shoplifting loss in a supermarket at $12, based on what is recovered

Not every store, however, can afford the expenditure on an EAS system or a plainclothes detective. Instead they rely on common sense controls, controls that can also be used to augment any system's effectiveness.

According to Miller, certain "favored items, small, easily concealed merchandise such as batteries, film, cigarettes, camera accessories," should be sold in an open area, preferably the front of the store.

Poorly lit areas, blind areas or concealed areas should also be avoided in the store planning stages.

High piling or stocking of any kind of merchandise also tempts thieves, says Miller, because it gives people the feeling they are in a private area.

As additional robbery deterrents, Miller suggests keeping available cash to a minimum. "When your register reaches that limit, pull the cash.

"Make frequent trips to the bank, preferably by armored car. If no armored car is available, make bank deposits at different times of the day, each day, and use at least two or three different routes to the bank in order to avoid any sort of pattern that could be detected by a professional robber."

Miller also advises that night deposits be avoided whenever possible. "If you can't avoid them," he continues, "circle the bank to make sure there are no suspicious loiterers; use two persons and preferably two different cars in the event that the car carrying the money is robbed."

And finally, he advises retailers never to exceed their insured limits when carrying cash. ■

Striving for the wet look in floor care

Lifespan of floor maintenance equipment

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)*	(30)*	(30)*	(30)*	(30)*	(30)*	(30)*
	%	%	%	%	%	%	%
4 years or less	23	23	23	23	7	23	37
5 years	22	10	23	23	33	13	27
6-10 years	20	30	13	30	13	27	7
11 years or more	4	3	7	—	3	3	7
Not applicable	15	13	20	3	23	20	10
Don't know/ no answer	17	20	13	20	20	13	13
(MEAN)	(5.7)	(6.2)	(5.8)	(5.4)	(6.3)	(6.0)	(5.0)
(MEDIAN)	(5.5)	(6.0)	(5.4)	(5.6)	(5.6)	(5.8)	(5.1)

*Does not equal 100% due to rounding. Source: *Chain Store Age Executive* research

Cost per square foot for floor maintenance

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(157)*	(29)*	(21)*	(29)*	(20)	(28)*	(30)
	%	%	%	%	%	%	%
Less than $0.15	50	34	52	41	35	75	60
$0.15-$0.25	15	10	19	17	25	11	10
$0.26-$0.50	8	17	—	3	20	7	—
$0.51-$0.75	3	14	—	—	—	4	—
$0.76-$1.00	2	3	—	—	10	4	—
$1.01-$2.00	2	—	—	—	—	—	10
$2.01 +	1	3	—	—	—	—	3
Not applicable	5	—	10	7	10	—	7
Don't know/ no answer	13	17	19	31	—	—	10
(MEAN)	(0.25)	(0.38)	(0.12)	(0.13)	(0.27)	(0.17)	(0.36)

*Does not equal 100% due to rounding. Source: *Chain Store Age Executive* research

Gemco, the 77-unit discount department store chain operated by Lucky Stores, is revamping its floor-care program to keep pace with changing technology in the floor maintenance industry.

Specifically, Gemco is upgrading the machines it uses to polish the Buena Park, Calif.-based chain's vinyl tile floors by introducing 2,000-rpm, high-speed burnishers, explains Gemco purchasing agent Bonnie Johnson.

"The decision was made that to achieve the so-called wet look we want, it requires a high-speed burnisher," says Johnson. "It achieves a high gloss look on the floor. You get a shiny floor for less money."

A year ago, 2,000-rpm burnishers were virtually unheard of in the retail industry. The industry standard was a 1,000-rpm burnisher. Now, most manufacturers are developing the faster burnishers, which burnish the floor to a harder finish, allowing the shine to last longer. Because it moves faster, labor costs are lower. Labor accounts for 90% of floor maintenance costs.

Clarke, of Muskegon, Mich., introduced the Ultra Speed 2000 last October. Its two models are battery-operated, with a list price of between $4,000 to $5,000.

Advance of Spring Park, Minn., has a Whirlamatic 2000, a battery operated 2,000 rpm model which Gemco is using in its stores.

Kent of Elkhart, Ind., introduced a 2,000 rpm electric floor burnisher, its KF 2000E, in March at SPECS in Philadelphia. Kent's national sales manager, Leonard Nelson, says these ultra high-speed machines open up a "whole new ballgame."

Meantime, the debate continues over the merits of using in-house maintenance crews vs. contracting the job to outside janitorial services.

At American Building Maintenance, based in San Francisco, company officials maintain that outside contracting is a more cost-effective approach than in-house cleaning.

"We're motivated to do a better job," says Allen Lee, manager of the San Francisco Bay Area retail stores accounts. He says that some retailers, particularly in the supermarket industry, prefer in-house cleaning crews because during early morning hours they are also stocking shelves and believe that "they get better scheduling control even though it is cheaper to use contractors—they don't have the flexibility. We can be flexible on a week-to-week basis, but not night-to-night."

One Bay Area department store chain, Emporium Capwell, has used an outside janitorial service "exclusively for the last 10 years," according to a spokesman.

"We choose to use contractors for the simple reason that they are better able to stay abreast of changing technology," says Ken Sheldon, communications manager. ■

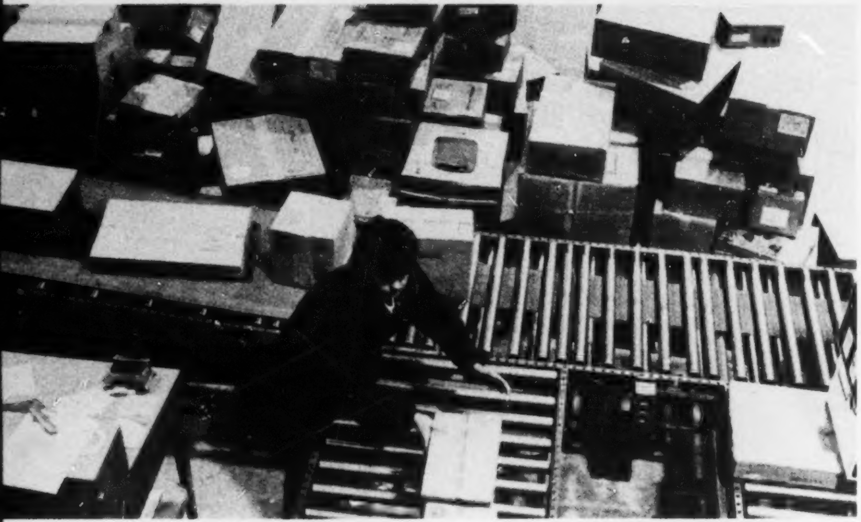
WAREHOUSING/DISTRIBUTION

Updating vital to growth

The distribution systems of retailers are the nitty-gritty of their operations. If there's "nothing really new in materials handling" itself, as one retail distribution expert put it, there is nonetheless a need for constant improvement in distribution plants and equipment.

In recent years the distribution portion of total capital expenditures in the retail environment has grown in line with management's view that the distribution function is an increasingly vital strategic advantage. In fact, retailers have predicted almost a doubling of capital expenditures for distribution over the next two years, according to a *Chain Store Age Executive* study (June 1983).

Illustrative of the work being done



Retailers predict a doubling of capital expenditures for distribution over the next two years.

in the retail climate are some of the recent improvements in Heck's distribution system. According to Bob Griffiths, vp-warehousing and distribution, the company's main distribution center (350,000 sq. ft.) has had a complete refurbishing this year.

Tow lines, flow racks and new conveyor belts made by Bushman were installed. The shelf-goods pricing area was revamped. A new soft goods processing area was added and climate-control equipment was installed in the 30,000 sq. ft. soft goods section of the center.

While Griffiths does not disclose the cost of these improvements, with further improvements in plant and systems planned for the next three years, he does project the payback on these capital expenditures at six to eight months. In some cases the equipment is already showing a payback.

Heck's is also mapping out new computerized controls to manage purchase orders. The goal is to track every carton from vendor to store in a manner similar to what is done at Wal-Mart or Ayr-Way—two companies where Griffiths worked prior to joining Heck's last August. The purchase order management system will be run on headquarters' IBM 3764 twin units, and Griffiths expects the system to be up before Sept. 1 in time for the fall rush.

Towers Department Stores of Ontario, Canada, a 48-unit chain, has been concentrating its efforts on software to improve the exchange of information between distribution center and headquarters' mainframe to plan labor functions more efficiently, according to John Share, vp-distribution and warehousing.

Since Towers adopted the "push" system, where all merchandise is distributed through buyers and nothing is ordered directly by the store personnel, the subsequent tracking of units being sold at the store level has created more efficient ordering.

When deliveries to the distribution center were stepped up, vendors and carriers found their delivery appointment times were sometimes backed up for weeks.

From one expanded center in California, J. C. Penney expects to realize a 23% return on investment

"Slot transfer" reports were developed through Tower's MIS department to give warehouse managers an up-to-the-minute status report on space availability at the warehouse. This has made workers more productive since no one has to walk the floor to look for available space to place shipments in. Shipments can be adjusted well in advance of incoming shipments, trucks are not kept waiting and vendors can make delivery appointments in peak periods without long waits.

Share is now working in conjunction with Tower's systems development people to design software that will forecast labor requirements for order picking three days out to provide more efficient worker scheduling and avoid unnecessary overtime payments.

J. C. Penney has an addition to one of its distribution centers under construction in Buena Park, Calif., that will expand the existing 700,000 sq. ft. structure by 350,000 sq. ft. This is a multipurpose facility which serves all southern California stores and provides selected functions for national distribution. Michael Todres, director of distribution, explains that Penney expects a 23% return on investment from this project.

In 1985, J. C. Penney plans to add about 150,000 sq. ft. of distribution capacity in New Jersey. The site has not yet been finalized.

Penney has optical scanning at its six catalog distribution centers and the company is installing scanning at other distribution locations as "time and money permit," according to Todres. "In under three years, we'll have scanning in all our facilities," he says.

Todres explains that Penney uses laser scanners. The suppliers of scanners change frequently to keep pace with improvements in equipment. ■

REFRIGERATION

Changing with the times

Refrigeration, like every other area of the supermarket business, is continuing to undergo enormous alterations, reflecting changes taking place in the philosophies and goals of many supermarket operators.

For example, responding to the move to new store formats and to a greater emphasis on using store decor to convey distinctive market images, new styles of cases and fixturing are showing up in many chains.

At the same time, though, both suppliers of equipment and retailers remain well aware of the continuing need to cut down on the energy costs associated with refrigeration wherever possible. After all, it is estimated that refrigeration costs account for as much as 40% to 50% of a supermarket's energy bill, while utility rates continue to rise rapidly.

When it comes to the decision to purchase equipment, "I think that energy usage is still an obviously important part of the purchase decision," says Doug Aiken of Warren-Shearer. "However, we also see a desire by retailers to become individualized, including using 4-ft. cases and other smaller cases."

This trend is even noticeable among the national chains. "When it comes to the design and decor area, rather than taking a cookie-cutter approach, they are becoming more concerned with determining how a particular market can best be served and planning their individual stores accordingly."

As a result, "We are doing a great deal more custom business today," he observes. This certainly adds to the cost, "But in effect, they are putting more fixtures into the stores now, so the costs are more anyway. They are also willing to pay more for the equipment."

In addition to form, the energy function continues to be important, too. However, Aiken points out that when it comes to the equipment itself, "The big advances were actually made three or four years ago with solid-state controls, solid-state exposure valves, and so forth. But we are continuing to search for other ways to reduce energy consumption."

When it comes to store formats, the biggest changes in refrigeration equipment in terms of store decor appear likely to show up in the superwarehouse stores, according to many industry observers. However, Mike Matson of Cub Foods says that in laying out the store, "When it comes to the fixtures or cases, nothing we do is very different from what you would do in another type of operation."

There are differences, though, when it comes to accommodating the high-volume done by such units—"high volume in terms of both product and heavy traffic flow." For example, Matson points out that "The fixtures get a lot of abuse, so we have put in corner guards, rub rails and various other reinforcements.

"In the produce section, because of the way we mass merchandise the produce at the front of the cases, we asked our equipment suppliers to especially reinforce this area for us."

The high volume situation also has an impact on energy needs of the various systems, points out Matson. "In the walk-in door area, because of the high product flow, we took the numbers recommended for heavy-usage areas and added another 20% to come up with the cooler load. We really beefed up our evaporator coils to handle the additional load." Cub Food stores also "incorporate oversized air duct condensers to insure that the equipment runs up to maximum efficiency in the hottest weather that it may be exposed to," he says.

Matson and the Cub Foods team "have taken a number of steps to design and work with manufacturers to come up with more energy efficient systems," he adds. Most of the equipment has been purchased from Tyler Refrigeration with Cub presently using their NC-2 system (an ambient subcooled refrigeration system). Most of the compressors are from Copeland.

Estimates place refrigeration costs at 40% to 50% of supermarkets' energy bills.

Cost per square foot for supermarket refrigeration

	(Base)	(30)* %
Less than $5.00		33
$5.00-$7.50		7
7.51-$10.00		20
$10.01-$15.00		10
$15.01-$20.00		3
More than $20.00		3
Not applicable		10
Don't know/no answer		13
(MEAN)		(8.24)

*Does not equal 100% due to rounding.
Source: *Chain Store Age Executive* research

Lifespan of refrigeration cases

	Total	Drug	Supermarket
(Bases)	(60) %	(30) %	(30)* %
8-10 years	42	27	57
11 years or more	28	20	37
Forever	2	3	—
Don't know/not applicable	28	50	7
(MEAN)	(13.5)	(17.8)	(11.2)
(MEDIAN)	(9.5)	(10.3)	(9.1)

*Does not equal 100% due to rounding.
Source: *Chain Store Age Executive* research

At Milgram Foods, James Fenton, director of engineering, notes that in the area of energy conservation applied to refrigeration, "We are going with uneven parallel compressor systems as most of the industry appears to be doing." He is also using discus-body compressors "and these are showing significant savings in energy." He is even retrofitting some systems with these "and they are working well. They reduce horsepower and they also reduce operating costs."

When it comes to changing the look of the fixtures being used, "We are talking about doing something different in fish, using some of European-look cases and also in some areas of the deli. We are presently doing three new stores and it is likely that in at least one we will move in this direction." ■

HVAC

Cooling the cost of energy

Energy engineers are keeping a close eye on fine-tuning HVAC equipment to keep energy bills—a business expense as certain as death and taxes—from ballooning.

Cub Foods, the 16-unit supermarket chain, heats and air-conditions all its northern Midwest stores (unlike some other retailers in this area). The 70,000-sq.-ft. stores use custom-designed equipment from two suppliers—Seasons Four and Mammouth. Cub has been working with these suppliers for two years with good results, according to Don Convy, manager, construction and technical services.

He adds that when Cub Foods first approached manufacturers to work with the chain on designing custom HVAC systems most didn't want to take the time to get involved.

Lifespan of HVAC

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(180)	(30)	(30)*	(30)	(30)	(30)*	(30)
	%	%	%	%	%	%	%
9 years or less	16	10	17	13	10	27	20
10-11 years	23	30	23	17	7	27	37
12-14 years	11	7	13	10	13	17	3
15-19 years	16	20	33	13	10	10	10
20 years +	22	27	3	40	37	10	13
Forever	2	3	—	7	3	—	—
Don't know/ no answer	10	3	10	—	20	10	17
(MEAN)	(15.7)	(17.1)	(11.6)	(21.4)	(21.2)	(11.0)	(11.6)
(MEDIAN)	(13.6)	(15.4)	(13.1)	(18.8)	(20.0)	(11.4)	(11.2)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Cost per square foot for HVAC

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases)	(159)*	(29)*	(25)	(30)	(25)	(28)*	(22)*
	%	%	%	%	%	%	%
Less than $0.15	7	10	—	7	4	18	—
$0.15-$0.25	12	10	12	3	12	28	5
$0.26-$0.50	6	3	4	3	4	11	9
$0.51-$0.75	6	3	4	7	4	11	5
$0.76-$1.00	8	17	8	3	4	4	9
$1.01-$2.00	16	10	20	17	20	18	9
$2.01 +	34	31	40	53	32	11	36
Not applicable	4	—	4	7	12	—	4
Don't know/ no answer	8	14	8	—	8	—	23
(MEAN)	(1.32)	(1.24)	(1.51)	(1.65)	(1.47)	(0.71)	(1.52)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

The new equipment is running smoothly, reclaiming heat from refrigeration units, and Cub is committed to the program. The manufacturers now "come knocking at our door," says Convy, because they see that there is a market for custom work.

The rooftop equipment costs an average of $90,000 per store, according to Convy, and the payback is about two years. The main reason the equipment has been custom-designed is so that it will work in harmony with the chain's energy management program. The custom equipment heats and cools 70% of the stores' main sales areas.

Convy says that it's still too early to measure the operating cost of the new equipment, but the chain is continuing to install it rapidly in all stores. By the end of the year all the Cub Food stores will have the new HVAC equipment and the oldest system will be a unit installed in 1981.

B. Dalton has installed a new air-conditioning system from Trane at many of its stores in recent months. According to Rex McKee, director of store services and construction, when B. Dalton can select the air-conditioners for the store is especially critical to its effort to stem energy costs since this is one of the few energy-related areas it can control. In most mall operations, he explains, B. Dalton "is at the mercy of the developer."

The Trane units are priced at approximately $10,000 to $13,000 per store. McKee points out that purchase price was not the primary consideration. A good service record and on-time delivery were part of the attraction of the Trane units. Further, Sure-Air, B. Dalton's air-conditioning maintenance contractor, had recommended the Trane system as a low-maintenance buy.

> **New equipment being used at Heck's is reducing the stores' heating and cooling bills by one-third**

Gold Circle has just completed a major revamping of its HVAC system, according to Daniel O'Harra, vp-properties and administration. The chain has installed Honeywell W7000 microprocessors at all its stores. The units regulate electricity, heating and air-conditioning. These "economizers" draw in outside air and cut back the number of hours that air-conditioning is required.

The system, which was installed chainwide in a year, is already decreasing the use of air-conditioning at Gold Circle. It will pay for itself in about 2½ years, according to O'Harra.

Ben Shew, energy coordinator at Heck's, runs a program to update existing HVAC systems and outfit new stores. The equipment Heck's installs is heat pumps made by Carrier. The average cost per store is $40,000 per 40,000-sq.-ft. store.

Shew says, "We figure in three years, we'll get our money back." The payback period for resistance or electrical heat systems would be much longer.

At present about 10% of the stores in Heck's 112-unit chain are using the new equipment. So far the new Carrier units have proved extremely efficient. "They reduce heating and air-conditioning bills by one-third," says Shew.

Heck's conducted computerized building energy estimation analyses to aid in selecting the HVAC equipment and to fine-tune the system after the first Carrier units had been in place for a while. The software for the evaluation came from three sources.

Carrier did one study. Trane did another, but Shew said that most weight was given to an analysis run by the local utility—Appalachian Power. The utility program analyzed more variables than the others, including the status of insulation in the stores.

With the addition of insulation, Heck's was further able to refine its HVAC systems. While still using Carrier heat pumps, the chain switched to buying more efficient models. The aim was to influence operating costs although the initial selection was based on purchase costs. The results have been pleasing, according to Shew, especially since it isn't often in business that fixed costs can be reduced.

Genuardi, a 20-unit supermarket chain headquartered in Norristown, Pa., has installed HVAC systems designed to reclaim heat from refrigeration units. "About 50% of the stores have heat reclaim," says Larry Gallagher, engineer, who specifies York equipment to update HVAC systems.

The York systems recirculate air through coils on the rooftop units. The size of the units varies from location to location, but the average cost to outfit a Genuardi store is between $26,000 and $30,000.

The payback period is about five years, but shortens with heat reclamation. York was selected for its good service record and the ease with which parts can be obtained. ■

Cash for corrugated offsets hauling costs

Solid waste management has never been a high priority item on a store planner's list. Traditionally a nonrevenue-generating support system, solid waste disposal is considered a necessary evil, literally relegated to the backroom.

However, with the advent of strict pollution control standards and a heavy emphasis on recycling in recent years, store planners have had to come up with alternatives to incineration for dealing with trash disposal. Balers, compactors and dumpsters have long since replaced incinerators at most store locations.

Each system, however, presents its own set of problems.

Because trash in a dumpster is not compacted in any manner, this means more pickups by the hauler and costs can run high. If space requirements dictate that the dumpster be located outside, this invites employee pilferage. Also, no money is recovered through recycling because a recycler will not accept corrugated unless it is baled or compacted.

Consequently, the majority of retailers recently surveyed by *Chain Store Age Executive* have opted for compactors used in tandem with balers. The balers are strictly relegated to recyclable corrugated, while the compactor is for nonrecyclable waste.

While an improvement over the use of a sole dumpster, some retailers still voice complaints about the baler-compactor method.

One retailer has found a better way to handle solid waste—and has the figures to prove it

The typical corrugated bale produced at a store location may weigh up to 800 lb. Usually a truckload of bales are accumulated before the hauler makes a pickup in order for the recycling to be cost-effective.

Cost per square foot for solid waste management

	Total	Discount	Supermarket	Home Center
(Bases)	(90)*	(30)	(30)*	(30)
	%	%	%	%
Less than $0.15	31	33	13	47
$0.15-$0.25	17	23	17	10
$0.26-$0.50	20	17	23	20
$0.51-$0.75	4	—	13	—
$0.76-$1.00	1	—	3	—
$1.01-$2.00	2	3	3	—
$2.01 +	1	3	—	—
Not applicable	7	6	10	6
Do not have/use garbage pick-up	8	3	3	17
Don't know/no answer	8	10	13	—
(MEAN)	(0.30)	(0.33)	(0.40)	(0.18)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Lifespan of balers, compactors and incinerators

	Total	Discount	Drug	Supermarket	Department	Home Center
(Bases)	(120)*	(29)	(17)*	(29)	(30)*	(15)*
	%	%	%	%	%	%
9 years or less	12	17	6	24	—	7
10-14 years	26	31	47	28	7	27
15-19 years	14	14	18	14	10	20
20 years or more	28	21	12	10	57	27
Forever	2	—	—	7	—	—
Not applicable	3	—	—	3	—	14
Don't know/ no answer	16	17	16	14	27	7
(MEAN)	(17.2)	(13.4)	(12.8)	(18.7)	(24.1)	(14.9)
(MEDIAN)	(16.0)	(13.9)	(13.8)	(13.1)	(47.2)	(16.7)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

Due to limited backroom space, often bales must be stored outside, again opening up the likelihood of employee pilferage, as well as damage due to weather.

In addition, baling can be highly labor intensive, some retailers point out, requiring not only the operation of the machine but the handling that comes afterward.

One retailer contacted, however, thinks he has found a better way and has the bottom line figures to prove it. Boyd Sempel, construction manager at Payless Drugs, Wilsonville, Ore., is recovering the cost of his solid waste management program through his recyclable corrugated sales.

Sempel has all but abandoned the baler in favor of compactors. Although he has inherited balers with the acquisitions of new chains, the only new solid waste equipment being purchased are compactors.

"Balers are far more labor intensive than compactors," he observes. "You have to hand feed both, but with the compactor all you have to do is push a button and, unless there's a jam, that's the last you worry about it.

"With a baler, you have to wire off the bales when the baler gets full; you have to handle the bales, and the bales are constantly in the way. If you put them outside, then depending on the weather, they may get wet. If they don't get wet, they get stolen." Sempel points out that at $50 to $60 a ton, "Stealing bales is big business."

Because a compacted container holds far more than a bale (six tons vs. 800 lb.), Payless only needs a hauler three times a month.

As it is, Payless is one of a limited number of retailers who are using compactors for corrugated. Some chains, like Supermarkets General's Pathmark, claim that the baler-compactor combination can be very efficient.

According to a spokesman for the company, Pathmark does very well by "speculating on the corrugated market." The chain uses its own haulers to bring baled corrugated back to a central distribution center. It is kept there until a hauler takes it to the recycling center.

Pathmark will hold onto the corrugated if the selling price is too low, accumulating bales until the price goes back up. If the price is not expected to rise, then the chain will go ahead and sell what it has. ■

Investments showing fast payback

Fishers Big Wheel uses Honeywell W7000 load control systems in 29 of its stores.

Lifespan of energy management hardware and software

	Total	Discount	Drug	Supermarket	Department	Home Center
(Bases)	(128)	(30)*	(26)	(25)	(26)*	(21)
	%	%	%	%	%	%
5 years or less	16	17	19	12	8	24
6-9 years	18	17	12	36	12	14
10-19 years	20	23	15	16	19	28
20 years or more	11	17	4	8	8	19
Forever	4	7	—	12	—	—
Not applicable	13	3	23	—	35	—
Don't know/ no answer	18	17	27	16	19	10
(MEAN)	(15.6)	(18.7)	(8.1)	(22.8)	(11.3)	(11.4)
(MEDIAN)	(12.1)	(15.8)	(8.0)	(8.7)	(10.0)	(13.0)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive research*

There are few investments that retailers can make which have so quick, dependable and measurable a payback as energy management systems. That's why they spent a mean average of 44¢ per square foot for energy management devices in the last year, with supermarkets—and their host of perishables—leading the pack at 63¢ per square foot.

Supermarkets represent both the biggest challenge and the biggest opportunity in terms of energy management. They're the biggest challenge because of the complexity of their energy use—for heat in the winter, air-conditioning in the summer and refrigeration all year round.

But they're the biggest opportunity because their energy bills are higher (per square foot) than those of other retailers and there's more room for improvement. In fact, some estimates place supermarket electricity costs alone at 1% or more of sales volume—a tremendous burden in an industry where a net profit of 1% of sales is a mark to shoot for.

Take the case of Genuardi Super Markets, Norristown, Pa. The company was able to cut electricity costs 23% just by reducing lighting use in three of its 18 stores with a device called the Controller from FLEC Systems. Since the devices were installed, says Reinhold Schottle, facilities manager for Genuardi, energy savings for the three stores amount to nearly $16,000 annually, and a payback for the chain's investment occurred in about 18 months.

The cost of the equipment and installation was about $22,000 for all three supermarkets. The Controller, says Schottle, works as a circuit wattage reducer and has been installed on existing standard ballasts. It has cut wattage 25% to 50% by delaying the time the voltage is applied, since it's installed between the circuit breaker and the lighting load, but peak voltage to the ballast is maintained.

The Controller also reduces demand and air-conditioning load. Since less wattage in lighting produces less heat to be cooled, the savings in air-conditioning is generally calculated at one-half watt saved for every watt reduced in lighting.

But outside the supermarket industry, the payback is still pretty quick. Fishers Big Wheel, for instance, is in the process of installing Honeywell W7000 load control systems chainwide, and the retailer is experiencing an average payback of under two years in "normal" stores.

When Fishers Big Wheel first tested the load control system, however, it was in "worst case" situations, according to Albert Agostinelli, senior vp and cfo. Those first installations resulted in energy savings of $8,000 a year—a six-month payback on the devices, which cost $4,000 per installation.

Energy savings for three stores comes to $16,000 annually; payback occurred in 18 months

But well before deciding on an energy management system, says Agostinelli, the company made an effort to pare down energy costs through other measures. "We saw a need to redesign the total environmental package in the stores," he says. "We did our homework and approached the project cautiously. We looked at heating, lighting, ventilation and air-conditioning; insulation of roofs and walls, and load control panels."

Air-conditioning in new-store construction, says Agostinelli, averages 90 tons, compared with 130 tons in older stores. (The average store size is about 45,000 sq. ft.) The equipment in the older buildings was oversized. New stores now have six main air-conditioning units and four auxiliary units. Forty-one of the 69 Fishers Big Wheel discount department stores are heated with gas.

The next step was to make noncapital energy conservation changes. "We made our managers energy-aware," says Agostinelli. "They had check lists. For example, they were told not to turn all lights on at once."

Agostinelli looked around for several years, he says, before he chose the W7000 system. "The total cost for the package was half that of other

Cost per square foot for energy management

	Total	Discount	Drug	Supermarket	Department	Home Center
(Bases)	(141)	(29)	(27)	(30)	(26)	(29)
	%	%	%	%	%	%
Less than $0.15	29	45	26	10	19	45
$0.15-$0.25	13	21	11	3	23	7
$0.26-$0.50	14	14	11	17	23	7
$0.51-$0.75	6	3	11	10	4	—
$0.76-$1.00	8	—	4	27	—	7
$1.01-$2.00	3	—	—	10	4	—
$2.01 +	4	10	11	—	—	—
Not applicable	16	—	19	20	19	24
Don't know/ no answer	7	7	7	3	8	10
(MEAN)	(0.44)	(0.42)	(0.62)	(0.63)	(0.32)	(0.20)

*Does not equal 100% due to rounding.

Source: *Chain Store Age Executive* research

companies," he notes. But cost was not the only criterion on which he based his decision. "I knew Honeywell," says Agostinelli. "I didn't want to deal with a company that had a taillight guarantee" (a guarantee that is good only as long as the taillights of the delivery truck are in sight).

To date, 29 of the load controllers have been installed, and an additional five to 10 controllers are installed each year. In the first 18 installations, cost avoidance of demand charges averaged $378 per month. The average annual demand in existing stores was reduced 25%, when compared with demand in the year prior to installation, and new stores equipped with the load control devices are exhibiting annual demand levels 25% lower than those in existing "systemless" stores of comparable size.

Perhaps the most impressive example of demand reduction was in the Fishers Big Wheel store in Carrolltown, Pa., where Penelec, the local utility, presented the outlet with an energy responsibility award. In this store, demand was cut by 30% from February through November, when compared with the same period the year before. The W7000 there was used for demand control and time-of-day programming only, as duty cycling was not applicable in that building, according to a spokesman for Honeywell.

How does Fishers Big Wheel's expenditure fit in with the rest of the discount store industry? On the whole, discounters spent a mean of 42¢ a square foot on energy management systems last year; Fishers Big Wheel spent less than 10¢.

Convenience stores, of course, are pretty much in the same boat as supermarkets, in that heating, air-conditioning and refrigeration are complex problems. The approach taken by Southland Corp., the country's largest operator of convenience stores, has been to test priority schedulers—which sense incoming power and turn off loads when the demand level hits a preset point. The devices in use in Southland's 7-Eleven stores in the Denver area are Model 836 units from Dencor Energy Cost Controls, Englewood, Colo. (*Chain Store Age Executive*, April 1984).

Each Model 836 retails for about $680. Some 50 of the devices were installed in the fall of 1983, and while none of the units has paid for itself yet, says a Southland exec, they're expected to do so in as little as 12 to 18 months.

According to Dick Bressler, Dencor's 7-Eleven liaison, Southland began conducting in-house tests of the devices early in 1981. Two and a half years of experimentation involved two different models at six 7-Eleven stores, and the 836 was found to be the more effective device from Southland's standpoint.

But one of the most advanced energy management programs is still boasted by Woodward & Lothrop, where execs say that the salaries of the chain's entire engineering department—some 30 strong—are balanced out by the electrical energy savings each year (compared to the sum the chain spent on electricity in 1979). According to Ben Bowers, energy conservation supervisor, many of Woodward & Lothrop's stores now use less than half of the electricity they consumed 15 years ago.

Nor have Bowers and Burton Weller, manager of utilities for the 16-store operation, achieved expense reductions with costly hardware. Years ago, for example, the engineering staff began to install electronic ballasts that regulate lighting voltage to reduce consumption. According to Weller, each store needed 800 to 1,000 ballasts and each ballast cost $20 or so. Payback was achieved in about a year. ■

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Chain Store Age EXECUTIVE
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The newsmagazine for retail operations

August 1984

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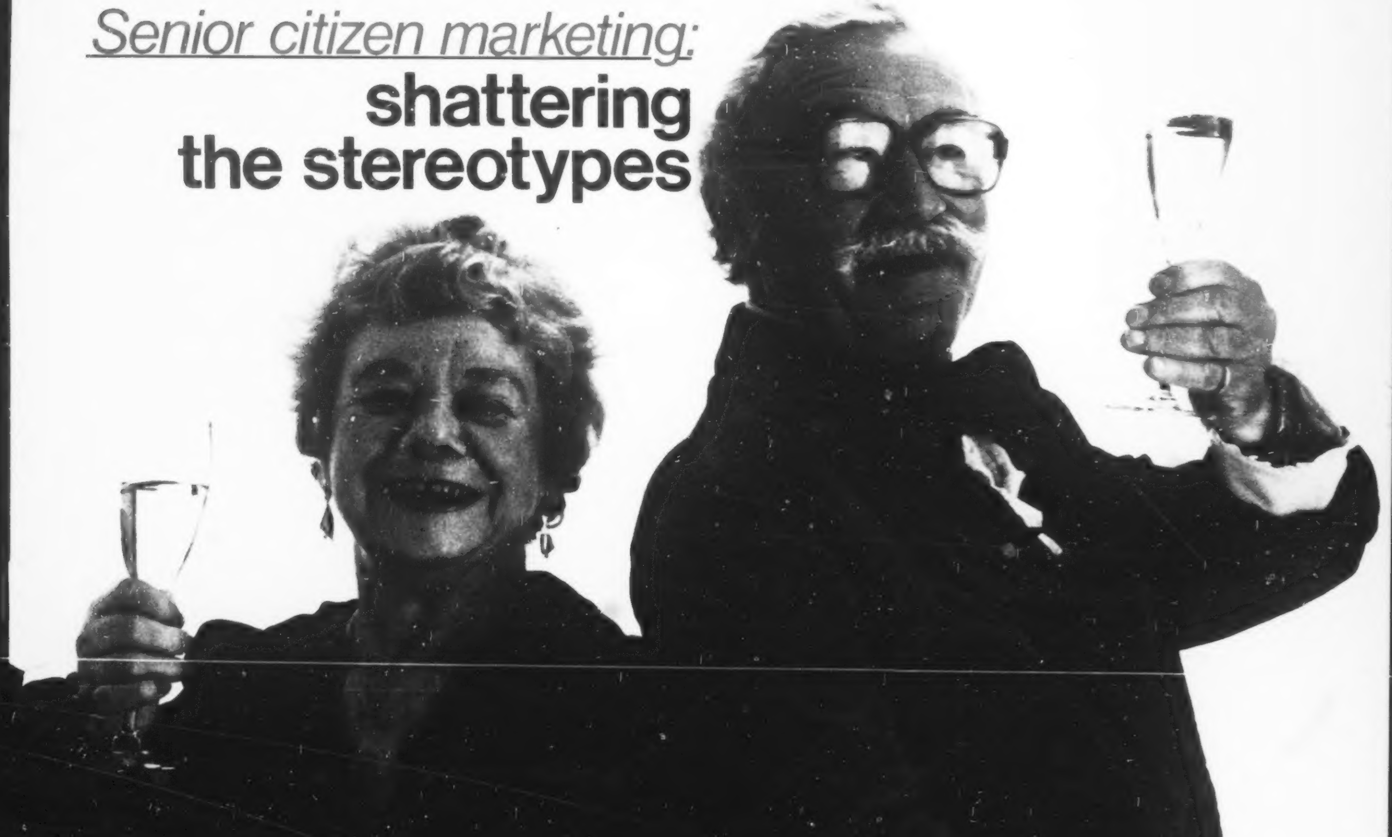
Senior citizen marketing: shattering the stereotypes



TWENTY DOLLARS
A YEAR (USA)

Chain Store Age
EXECUTIVE Volume 60, No. 8/August 1984

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ACCOUNTING NEWS

By William U. Westerfield

Filling the LIFO gap in GAAP

Looking for authoritative guidance on how to apply the last-in, first-out (LIFO) inventory method? Forget about accounting standards; these contain only a passing reference acknowledging LIFO's acceptability. Although S.E.C. has provided some views—mainly on what not to do—and a few disclosure rules, the only reasonably comprehensive information is the Internal Revenue Service.

The fact that a substantial number of retailers use LIFO for their inventories, together with opportunities for misconstruction inherent in the method's mechanics, makes the absence of GAAP (General Accepted Accounting Principles) for LIFO seem like a yawning chasm. But, prior to early 1981, when IRS' interpretation of its LIFO conformity requirement was softened, companies had little latitude to use differing book and tax treatments. Following publication of amended tax regulations, the AICPA (American Institute of Certified Public Accountants) commissioned a task force to study the matter and S.E.C. emphasized the need for financial accounting and reporting rules for LIFO in a published release.

Now, the task force has presented an issues paper: "Identification and Discussion of Certain Financial Accounting and Reporting Issues Concerning LIFO Inventories." The 119-page paper contains background, illustrations, arguments and advisory conclusions on some 75 separate LIFO issues.

The trail to accounting and reporting standards for LIFO is somewhat of a slippery slope. Important deviations from the rules retailers must follow for tax purposes would pose problems. For example, any move that would trigger the needs for two sets of LIFO calculations could be counterproductive.

Fortunately, this is one area where tax and financial reporting objectives share common ground: both seek to avoid opportunities to play games with the numbers. In the opinion of the task force, portions of the tax rules should be considered acceptable for financial reporting purposes.

Naturally, it's a long way from an AICPA issues paper to FASB-sanctioned standards and, frankly, I do not expect extensive FASB action any time soon. In the meantime, the issues paper, unlike recent counterparts dealing with low-priority subjects, merits attention.

Although I do not agree with all of the "advisory conclusions" of the task force, the paper stands as a solid first attempt to view LIFO from an accounting and reporting rather than a tax perspective, to identify the issues and to explain relevant considerations. As a temporary measure, it helps to fill the LIFO gap in GAAP.

William U. Westerfield is chairman, Retailing Industry Services Group, Price Waterhouse, 153 E. 53rd St., New York, N.Y. 10022.

F.Y.I.

Southland installs ATMs in Texas

MoneyMaker
MPACT

The Southland Corp. entered into an agreement with First Texas, a Dallas bank, to install 1,000 MoneyMaker ATMs in its Texas-based 7-Eleven stores. The project, started in Austin in the early spring, is proceeding at a three-installation-per-day schedule, which will see 7-Eleven's Dallas/Fort Worth area fully outfitted by October. All the Texas stores will have the automatic teller machines by late 1985.

The machines will be owned and fully maintained by First Texas' wholly owned subsidiary, MoneyMaker EFT Services, but the Southland Corp. will receive transaction fees on the bank card transactions conducted in its 7-Eleven stores.

Southland would not disclose the nature of the transaction fee arrangement. A company spokesman did say, however, that Southland is not seeking fees equal to its sales per square foot in the area occupied by the Docutel-manufactured automatic teller machines.

"The main attraction," according to a Southland spokesman, "is not the fees, but a new customer base." The chain expects increased customer traffic, as well as a more upscale clientele, to be attracted by the presence of the ATMs.

The Texas installation is part of the "plan to install ATMs in all 7,313 7-Elevens nationwide over the next four years. This will be accomplished through a series of regional agreements with various bank networks, since First Texas will only be responsible for the Texas-based stores.

Customers will be able to use the following bank cards in the machines: MoneyMaker, Pulse cards including BOSS, Quicksilver, FirstNet, Paymaster, Anytime and Doughboy; MPACT, Teller 24 and activated American Express, MasterCard and VISA. The stores are open 24 hours a day.

Correction

In the July 1984 issue of *Chain Store Age Executive*, a chart on page 30 incorrectly identified the mean average of department stores opened in 1983-84. The mean average size of department stores opened in 1983-84 was 128,800 sq. ft., only slightly smaller than the average existing store, which boasts 138,200 sq. ft.

Chain Store Age EXECUTIVE August 1984

COVER STORY

Senior citizen marketing: Shattering stereotypes

One segment of the population, controlling 28% of the United States' discretionary income, is being ignored

In what appears to be an almost incredible strategic omission, the vast majority of American retail companies are ignoring the huge market potential of a segment of the population that currently accounts for $575 billion in personal household income, or nearly one-third of the United States total.

This group, numbering 47 million people and expected to grow to 59 million by the year 2000 (or 1 out of every 4 Americans), represents that segment of the population aged 55 and older. They currently control 28% of all United States discretionary income.

Yet, with only a handful of exceptions such as Sears, Roebuck and May Department Stores (*see accompanying stories*), conversations with numerous retail companies and industry observers indicate that most retailers refuse to acknowledge, much less reach out to, this burgeoning consumer group.

"I think that there are still a number of basic misconceptions about older Americans," says Dr. Carole Allen, a Washington, D.C.-based psychologist and marketing consultant. "Most retailers still aren't aware that this is a group with money to spend. Generally a retailer looks upon this as a poverty group and it takes a lot of whittling away to change this concept."

In addition, the "new" over-55 consumer is far different from the previous older generation. Today, "Being older does not have to mean thinking or acting old. For those with the right resources—good health, money and the right attitude—aging is a new stage of freedom from pressure and external responsibilities," writes Judith Langer in the *Langer Report*. Langer is president of Judith Langer Associates which specializes in psychographic research of different consumer groups.

However, despite what the research indicates, most retail companies still seem to have blinders on when it comes to looking beyond a very specific definition of their target markets—with the emphasis remaining solidly on youth.(Another exception is a group of drug chains which are experimenting with home health care centers, *see accompanying story*).

Ask almost any retail company executive for the target market definition and it's the same—the 25 to 44 age group. Even in Florida, the state with the highest percentage of population comprised of older residents, many major retailers report no specific marketing efforts aimed at going beyond this age barrier.

An example of the prevalent attitude of most retailers is that of J. C. Penney. While being a leader in recognizing and responding to other emerging marketing trends ("Say 'si' to untapped markets," *Chain Store Age Executive*, March 1984), it reportedly has done no research (at least recently) aimed at studying the demographics, psychographics and/or

More for their lives

Mature Outlook's aim is to get older consumers back into Sears stores.

Launched on Jan. 23 of this year, Sears, Roebuck's Mature Outlook club had 125,000 members by the end of June—and the numbers are heading steadily upward, according to Susan Schneider, marketing director.

Mature Outlook, a membership organization for people 55 and older, is a venture enabling Sears to offer to people 55 plus a blend of services which includes, in addition to merchandise, insurance (through Allstate), investment advice (through Dean Witter Reynolds) and real estate advice (through Coldwell Banker). Members of Mature Outlook receive a magazine, a newsletter and discounts on services—a total of 30 benefits, says Schneider.

She explains that "After a lot of extensive research on people aged 55 plus, we decided to market our services directly to this group. We then looked for a good distribution channel to communicate with them and Mature Outlook was a result."

Part of the purpose of Mature Outlook involves "Reinviting older consumers back to our stores," Schneider admits, noting that Sears has been renovating stores "So that they are now really new stores."

However, for many older consumers, "It could be that the last time they visited a Sears store was when they were first married and they came in to buy appliances," she says. "We want them to come back to Sears."

Mature Outlook is a totally direct mail program, with membership applications and information currently going out as billing inserts to Sears' charge account customers. The effort is being backed up with some limited television and newspaper advertising.

buying patterns of the older consumer. Nor do its current market efforts encompass this group.

"After all, that group isn't our target audience," says a spokesman. "We've been repositioning our stores to offer more fashion merchandise and appealing to a younger age group, the 25 to 44 year old, goes along with that."

The response of a 69-year-old woman to Penney's strategy is that "For years I've been shopping Penney's, but only since they've upgraded their apparel departments have I started buying some of my clothes there—and my husband's too. But if that's Penney's attitude, I certainly won't be shopping there anymore. I'll find someplace else that wants my business."

How many other consumers may Penney's and other chains be turning off when they not only fail to meet the needs of the affluent, older consumers, but refuse to admit they exist?

How much longer can retailers who are fiercely battling for every percentage point of market share afford to ignore 20% of the American population?

Not only is it above other groups in terms of discretionary income, but this population segment owns 68% of all money market funds and controls 80% of all money in savings and loan institutions. Seventy per cent of this group own their own homes and most have mortgages that have been paid off.

When the age criteria is expanded to encompass those over 50 years of age, the size of the total group swells to 1 out of every 3 adults. Earnings per capita for this group are 20% more than for the 18 to 44 age group and it controls more than 50% of all discretionary income in the country, according to research conducted by Donnelley Marketing.

Bill Hahn, an account executive for Mature Marketing, also points out that "Statistics show that the individual under 50 has 15¢ out of every dollar to spend for discretionary purchases. The individual over 50 has more than 30¢—or twice the spending power. Yet people still tend to negate this market."

However, approximately two years ago, the Food Marketing Institute did conduct research on "The Supermarket Shopping Experience of the Older Consumer," concentrating on the over-65 shopper and utilizing focus group sessions.

This report offered a number of recommendations, ranging from which products to stock (older consumers were shown to have a preference for national, advertised brands and few mentioned buying generic goods) to suggestions for making the stores easier for them to shop (including widening the aisles and using signage with larger, bolder print). Yet according to Timothy Murphy, a marketing consultant with Willard Bishop Consulting Economists, "I am not aware yet of any supermarket company that is really going after the older consumer."

K mart is already recognizing the dynamics of the aging of the population—and trying to find ways to respond, although its program is less extensive than Sears.

Susan Feinberg, manager of the economics and consumer analyst depatment at K mart, says, "We do a huge consumer survey each year. Among the categories we look at are the 45- to 64-year-old with no children under 18 living at home; the 45- to 64-year-old with children under 18 living at home, and those age 65 plus—we analyze consumers more by lifestyle than by demographics."

She observes that "Our research and other statistics have shown that in terms of discretionary income, these are very important groups—and it's a myth that all old people are poor. This is also a high-growth segment—and optical and pharmacy are particularly high-growth product areas for the older consumers."

In addition to paying attention to specific merchandise categories, K mart is reaching out to these older consumers by offering discounts in certain departments such as pharmacy, health aids and optical, by making certain that sales help is polite to older people—and responsive to their needs and questions—and by providing such courtesies as benches where older consumers can sit and rest.

Among the handful of other retailers who are paying some special attention to this group, most efforts have so far been confined to offering senior citizen discounts. However, Pergament, headquartered on Long Island in New York, reportedly holds a "senior citizen's day" on a regular basis, while Peoples Drug, Alexandria, Va., has run television advertising campaigns aimed specifically at this target market. Such efforts, though, are still a rarity.

Dr. Allen, who worked with Peoples Drug in helping them to reach the older consumer, believes that "Once a competitor goes out there and has success in marketing to this consumer group, then others will decide 'We had better do something.'"

According to Allan, the "big obstacles" for retailers that must still be overcome include "their psychological attitudes, not understanding what older people really want and need, and a basic lack of knowledge about the market—including not realizing that there is a lot of money out there."

Specifically, "Some retailers don't want to have their stores associated with the elderly. They are afraid it will turn off younger consumers. Too, there is a tendency by retailers to think that all older people are frail and sickly, but most elderly people are healthy and they are interested in a variety of products.

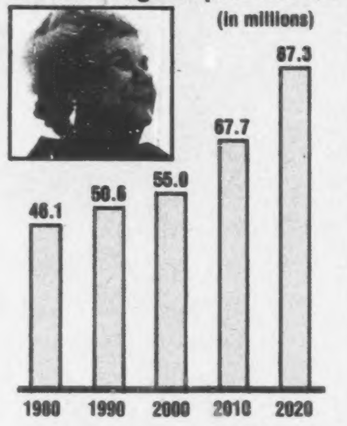
"Another problem is the lumping of all older persons together—but people are starting to get away from this image. Someone in his 60's or 70's is far different from a person in his 80's, for example."

Bill Straus, executive director of Sears' Mature Outlook program believes that "Retailers aren't ignoring the older consumers; they are troubled with how to go after this market, since there is a big difference between the customer 55 and 65. Never before have they had to target market within an age demographic and they don't know yet how to do it."

He adds that "oversimplification of their marketing is also part of the problem for retailers. They keep saying that youth will carry the message, that everybody likes to look at youth, but this is baloney. I call this the ostrich method of merchandising. You have got to have a mix or you are going to turn off the senior consumer."

When it comes to advertising, specifically, Hahn also points out that "Older people are turned off by seeing young people all the time. This means you can't use the same campaigns to reach teens and younger adults and that you would use to reach the older consumer. It is like trying to use the same campaign to reach both English-speaking young adults and Hispanics. The words and visuals mean different things and they are perceived differently."

One of the most successful means of reaching the older consumer has traditionally been through direct mail marketing, and specifically through catalogs. In recognition of the growth and relative affluence of this market, recent years have seen the launching of specialty catalogs aimed directly at this market, such as *Comfortably Yours*, offering products that make life easier for the older consumer, and *Mature Wisdom*, a catalog produced



Growth of age 55-plus market
(in millions)

Source: Department of Commerce

Altruistic spirit in St. Louis

At Famous-Barr, the St. Louis-based department store chain, serving the older consumer is not a matter of dollars and cents, but rather one of altruism, according to Marcus Tully, vp-marketing.

As an outgrowth of the company's already existing Arts for Older Adults program, Famous-Barr launched the Oasis Club two years ago for those over 60 years of age. The program is being run in conjunction with the University of Missouri and financing costs incurred by Famous-Barr are being matched by Government grants from the President's Commission on the Aging.

Tully explains that when Marilyn Mann of the University of Missouri first suggested the program, "Because of the increase in the over-60 population and because Famous-Barr is well-known in the St. Louis market for its altruism, we were interested in expanding our existing programs," she says.

The Oasis Club now has 10,000 members in three facilities. There are club rooms where people can come in on a daily basis to socialize with one another as well as to simply relax. There are also various cultural and educational programs taking place on a regular basis, plus certain store benefits especially for club members. These benefits include a 10% discount on purchases in the store on specified days, and having the store opened two hours early for club members on a day during the Christmas selling season, and prior to other selected holidays.

Other retailers often offer as an excuse for their lack of marketing to the older consumer the belief that such efforts would "turn off" their more youthful key target audience. However, Tully has found just the opposite to be true.

"I think that we do enough on the young side that younger people certainly wouldn't say to themselves 'this is a stodgy store' or 'this store doesn't understand me.' Instead, I think there is more the attitude that this is a terrific store because 'hey, look what it is doing for older people!' Unlike the 1960's, perhaps, I think today there is much more compassion on the part of younger people for older consumers. I think we are offering the best of both worlds."

However, he does suggest that while retailers have been putting so much emphasis on youth, "maybe they said that the older person is not that great a customer—he or she is not spending money. But I think that attitude is a big mistake."

He points out that of the over 10,000 members of the Oasis Club, 80% or more enjoy a moderate or better income. The sales made on the days when Famous-Barr offers club members 10% discounts "have come to represent big, important volume for us—this is a very lucrative market."

So far, two other May Department Store divisions, Hecht Co. in Baltimore and May Co. in Cleveland, have established Oasis Club outposts and others are reportedly in the works.

by Hanover House. (Sears, Roebuck has also introduced a home care catalog.)

Another area that may hold significant potential for reaching the older consumer is that of public-access electronic shopping systems. For example, T. Paul Dorrington, director of special projects for Melvin Simon, reports that in San Antonio, where the company has been testing such a system in one of its centers, "We have found that the usage curve is particularly high for the 25- to 39-year-old age group. However, the interesting thing is that the curve comes back up at over 65—they are using the system more than people in their early 40's and early 50's."

He adds, "While research has shown that the over 55 age group tends to be somewhat intimidated by computers and has not moved rapidly to using Automatic Teller Machines, at San Antonio we are using a touch-sensitive screen, and this seems to make the difference. It's very user-friendly."

His prediction is that "As we move into more touch-systems and voice-activated systems, which will be happening in the next two or three years, I think such systems will be adopted and used by the over 65 consumer—where they don't have to learn new technology and where they will not be intimidated by someone younger standing next to them doing the process faster."

In the area of in-store retail formats, the aging population appears to represent significant market potential, especially in such areas as optical centers (*Chain Store Age Executive*, June 1984); drug stores and home health care chains; home improvement centers; home furnishings stores—and any type of retail outlet where "grandma bait" is offered.

There are also reportedly major gaps in the availability of apparel suitable for the older woman's figure—and active lifestyle.

There are many opportunities indicated for the retailer who is willing to set some new goals. For example, Bill Ress with Management Analysis Center in Cambright, Mass., points out that "Most retailers are looking at the superficial statistics that show the 25 to 44 age group is growing quickly, so that is where they direct their efforts. But so is everyone else.

"I suggest to them that instead of doing this, they should be asking 'Are we in a position to be more effective in a smaller market that no one else is going after?'" It doesn't hurt that while the over 55 market is smaller in numbers, it's richer in dollars to spend. ■

—Jacquelyn Bivins

MARKETING

Drug chains tap older market

Home health care centers began as central facilities, supplying items beyond regular inventory.

While some retailers have yet to capitalize on the discretionary spending power of the over-55 consumer, a number of drug chains have tapped the more conventional image of the senior citizen—as a consumer of home health care products.

There are now 13 major drug chains operating freestanding home health care centers, led by Hook Drugs, Indianapolis, which began in 1977 with a single unit and now has 10 of them under its belt. Hook plans to build five more in 1984, and long-range plans call for 40 centers. Harco Drug, Northport, Ala., runs six home health care outlets and Begley Drug of Richmond, Ky., has four; both chains plan to expand their holdings.

Home health care could become a $17 billion market by 1990, according to some optimistic estimates

The lure for these chains, as well as for bigger operations such as Eckerd Drug and Walgreen, who are currently testing the concept, is what chain execs say is a $4 billion market—and one that is expected to grow to more than $16 billion by the end of this decade. The more optimistic say that the home health care business could exceed $17 billion by 1990.

The reason? Execs point to the exorbitant—and still rising—cost of hospital care. One estimates that it would typically cost $6,000 a month to stay in a hospital, $1,200 a month to stay in a nursing home, but only $250 to receive care at home.

While there's seldom an unplanned purchase in this business, home health centers must be easily accessible and easily visible. But the stores need not be large. Usually, they're in the 1,500- to 2,500-sq.-ft. range, although some, such as those recently launched by the Medicare-Glaser chain in St. Louis, weigh in at around 3,500 sq. ft. each.

In many cases, the home health care store sprang up as a central facility for a drug chain, to which pharmacists could refer their customers when they needed something beyond what the drug store carried in its 8-ft. convalescent aids department. The basic merchandise mix includes hospital beds, wheelchairs, orthopedic appliances, diagnostic aids, incontinence products, ostomy supplies and appliances, surgical supplies and exercise equipment.

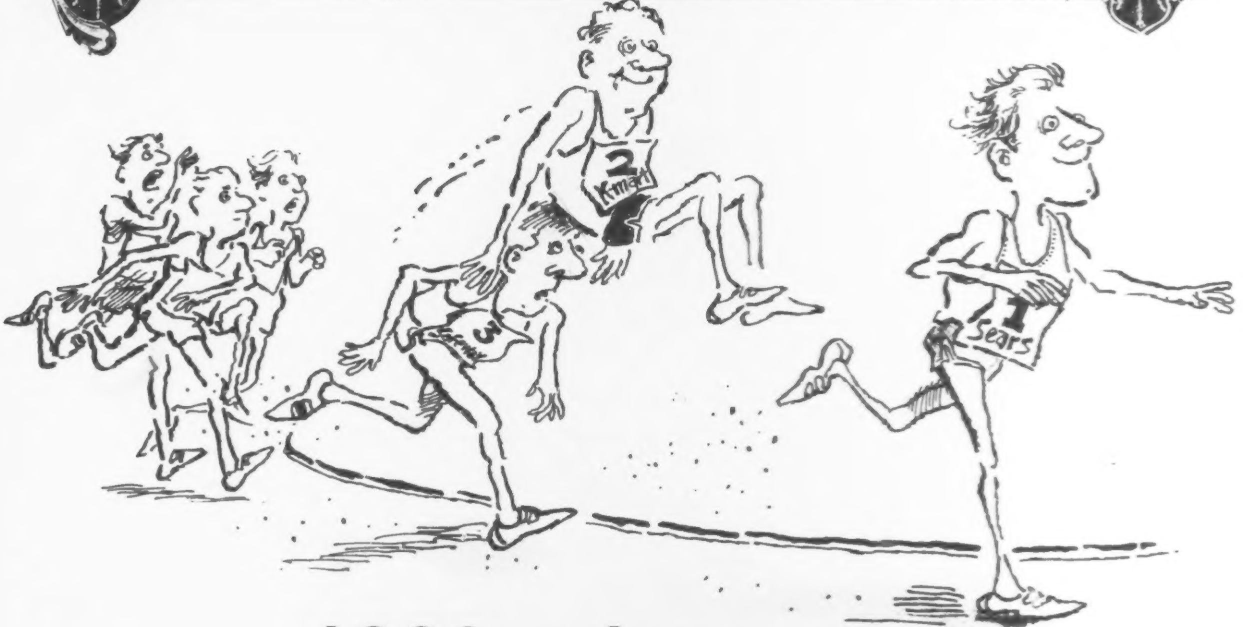
The investment in such operations can be as wide-ranging as the chain's approach to the business. The atmosphere can be stark and institutional or imitative of the home, with simulated bedrooms and the like.

But all home health care centers require a large investment in inventory. In some cases, investment per store can run as high as $400,000.

But while the freestanding home health care unit makes sense as an add-on for a drug chain, it does not necessarily present an opportunity for other retailers seeking diversification opportunities. One of the keys to this business is a large number of contacts with the health care community around each store, an established resource for a chain of drug stores.

And even then, the managers of these centers are asked to call on nursing homes, health spas, physical therapists and anyone else whom the chain does not ordinarily deal with, in order to position the center as the first option for health care supplies. ■

$100 MILLION CLUB



1983 sales race: Jockeying for position

In a year when American business was on the upswing, most retailers hit their stride again and sprinted for record sales and earnings. Some notable exceptions were in the supermarket category . . .

Retailers in all classes of trade rode a resurgence in consumer spending in 1983, as both sales and earnings rose to robust levels. Perhaps only in the supermarket sector did sales and earnings fluctuate, as entities such as Grand Union, Jewel Cos., and Kroger found 1983 a tough row to hoe.

These trends are reflected in *Chain Store Age Executive*'s annual $100 Million Club, a line-up of the top volume producers. Sears, for instance, maintained its place at the top of the heap in 1983 by posting a 21% gain in retail sales to $25.1 billion, as compared with $20.7 billion the year before. The nation's largest retailer by volume found that the consumer responded favorably to its new merchandising strategy—which, in management's words, "aimed at balancing Sears' market power in hard lines with increasing soft lines opportunities."

K mart surpassed Safeway to secure second place on the list by virtue of a 10.9% hike in sales to nearly $18.6 billion. What's more, the country's largest discounter eked out $492 million in net earnings in 1983.

Nevertheless, Safeway made it a close contest by increasing its volume 5.4% to $18.59 billion, while net earnings showed a 15% increase to $183 million, and net-to-sales crept up to a full percentage point.

Kroger maintained its No. 4 spot last year with $15.2 billion in sales, and J. C. Penney stayed No. 5 with a $12.1 billion performance. But Lucky Stores slipped from sixth place to eighth on the basis of a slim 5.2% increase in sales to $8.4 billion—to be replaced as No. 6 on the list by Southland Corp. Southland finished the year with $8.8 billion in sales, a gain of 29.8% over $6.8 billion the year before.

At this writing, American Stores, ranked No. 9 on the basis of its 1983 performance, and Jewel Cos., ranked No. 14, were slated to merge, thereby creating a retailing conglomerate that would surpass all but Sears, K mart, Safeway and Kroger in total sales. But since the merger was not a fait accompli at presstime, companies are listed separately.

The earnings column is like a breath of fresh air after last year's profit depression. K mart's net profits soared 88% in 1983. Montgomery Ward went from $75 million in the hole to a $54 million profit. The retail segment of Household International boosted its operating income to $39.6 million from last year's paltry $5.5 million, and in the supermarket sector, A&P showed new resilience with a 77% gain in net earnings.

In the category of earnings as a percentage of sales, J. C. Penney and Federated Department Stores fared best among the top dozen retail organizations, with marks of 3.9% and 3.8%, respectively. Dayton Hudson was a close third, however, with a mark of 3.5%. ■

$100 MILLION CLUB

Chains	1983 Sales (000)	1982 Sales (000)	1983 Earnings (000)	1982 Earnings (000)	1983 Earnings As % of Sales	1982 Earnings As % of Sales	Return On Equity	Existing Units 1983	Units To Be Added 1984
1. Sears, Roebuck & Co.*	$25,089	$20,667	$781.4	$432.0	3.1	2.1	14.4	813	14
2. K mart	18,598	16,772	492.3	261.8	2.6	1.6	17.8	2,547	30-35
3. Safeway	18,585	17,633	183.3	159.6	1.0	0.9	14.5	NA	NA
4. Kroger	15,236	14,762	127.1	192.1	0.8	1.0	11.8	1,428	101
5. J. C. Penney	12,078	11,414	467.0	430.0	3.9	3.8	14.5	2,014	67
6. Southland	8,805	6,782	131.8	108.1	1.5	1.6	15.4	8,052	350-450
7. Federated Dept. Stores	8,689	7,699	338.3	232.8	3.8	3.0	15.2	551	6
8. Lucky Stores	8,388	7,973	105.4	92.2	1.3	1.2	18.9	1,629	150
9. American Stores	7,984	7,508	117.9	90.4	1.5	1.2	24.5	1,027	NA
10. Winn-Dixie	7,019	6,764	113.5	103.5	1.6	1.5	20.7	1,210	25
11. Dayton Hudson	6,963	5,661	243.2	198.4	3.5	3.5	18.0	1,075	103
12. Montgomery Ward	6,003	5,584	54.0	(75.0)	0.9	NA	3.3	375	0
13. Jewel Cos.	5,724	5,572	83.1	88.1	1.5	1.6	13.9	1,124	90
14. F. W. Woolworth	5,456	5,124	118.0	82.0*	2.6	1.6	11.9	5,276	339
15. Household Int*	5,306	5,310	39.6*	5.5*	0.7	0.1	7.7	1,023	NA
16. A&P	5,222	4,608	47.6*	31.2*	1.1	0.7	7.2	1,022	NA
17. Army/Air Force Exchange	4,800	4,619	221.0	202.9	5.0	4.8	20.5	NA	NA
18. Wal-Mart	4,667	3,376	196.2	124.1	4.2	3.7	32.0	646	111ª
19. Albertsons	4,279	3,940	70.3	58.4	1.6	1.5	19.2	432	42
20. May Dept. Stores	4,212	3,654	187.0	141.0	4.4	3.9	18.1	1,584	NA
21. Melville	3,923	3,261	176.3	142.1	4.5	4.4	23.0	5,747	263
22. ADG	3,718	3,189	115.5	78.4	3.1	2.5	14.9	382	16
23. Allied Stores	3,676	3,216	128.5	90.7	3.5	2.8	14.0	570	27
24. Carter Hawley Hale	3,633	3,055	67.5	49.0	1.9	1.6	9.1	1,085	NA
25. Supermarkets General	3,518	3,247	40.7	37.7	1.2	1.2	18.2	199	12
26. R. H. Macy	3,468	2,979	186.7	135.6	5.4	4.6	21.0	93	3
27. Grand Union	3,440	4,137	(115.2)	0.2	NA	NA	NA	610	0
28. Batus*	3,145	2,467	218.3**	166.4**	NA	NA	NA	232	0
29. Publix	2,835	2,507	56.7	46.8	2.0	1.9	17.9	270	10
30. Stop & Shop	2,791	2,342	50.8	34.8	1.8	1.5	21.8	413	25-27
31. Zayre	2,614	2,139	61.4	35.2	2.4	1.6	17.7	749	100
32. Tandy	2,475	2,033	278.5	224.1	11.2	11.0	28.8	4,584*	150-175
33. Von's	2,383	NA	NA	NA	NA	NA	NA	174	NA
34. Walgreen	2,361	2,039	69.8	56.1	3.0	2.5	21.4	941	80
35. Jack Eckerd	2,325	2,080	71.7	70.7	3.1	3.4	13.1	1,797	140
36. Best Products	2,081	1,582	37.1	28.8	1.8	1.8	10.0	197	8
37. Giant Food (Md.)	1,957	1,843	40.5	37.2	2.0	2.0	22.8	131	2
38. Rapid American	1,828	1,741	170.5**	142.6**	NA	NA	NA	1,084	NA
39. Revco	1,793	1,555	66.5	49.6	3.7	3.2	20.2	1,661	110-120
40. Mercantile	1,626	1,428	83.2	69.9	5.1	4.9	16.9	77	2
41. Belk†	1,600	NA	NA	NA	NA	NA	NA	NA	NA
42. H. E. Butt†	1,600	NA	NA	NA	NA	NA	NA	NA	NA
43. Waldbaum's	1,587	1,491	13.9	16.8	0.9	1.1	12.9	142	3-4
44. W. R. Grace*	1,547	1,325	30.8**	23.3**	8.0	30.0	NA	568	NA
45. Wickes*	1,500	NA	27.9**	NA	NA	NA	NA	731	38
46. Super Valu*	1,483	1,249	44.4**	36.5**	NA	NA	NA	387ᵇ	9
47. Service Merchandise	1,458	1,195	44.9	31.6	3.0	2.6	19.6	173	NA
48. Lowe's	1,430	1,034	50.6	25.1	3.5	2.4	20.7	238	12
49. Loblaws	1,374	1,336	11.1	9.4	0.8	0.7	NA	NA	NA
50. Toys "R" Us	1,320	1,042	92.3	64.2	7.0	6.2	23.6	175	39-41
51. SCOA	1,305	1,155	41.8	36.1	3.2	3.1	22.0	140	12
52. Sherwin Williams*	1,302	1,162	34.6**	27.7**	NA	NA	NA	1,819	182
53. First National	1,277	1,268	1.2	11.8	0.1	0.9	2.6	142	3
54. Rite Aid	1,223	1,049	74.3*	55.0*	6.1	5.2	22.9	1,148	100
55. Pay 'n Save	1,220	1,091	30.1	19.6	2.5	1.8	15.7	312	11
56. Longs	1,214	1,123	36.4	30.1	3.0	2.8	17.2	178	13
57. Meijer	1,200	NA	NA	NA	NA	NA	NA	NA	NA
58. Thrifty Corp.	1,188	1,126	22.5	18.3	1.9	1.6	17.4	788	NA
59. Fred Meyer†	1,188	NA	NA	NA	NA	NA	NA	69	NA
60. Food Town	1,172	947	27.7	21.9	2.4	2.3	NA	NA	NA
61. Cullum	1,127	1,062	13.9	13.0	1.2	1.2	18.3	132	1
62. Woodward Stores	1,120	1,104	4.8	8.9	NA	NA	NA	NA	NA
63. Hy Vee Food	1,099	1,007	NA	NA	NA	NA	NA	150	5
64. The Limited	1,086	721	70.9	33.6	6.5	4.7	45.0	937	275
65. Circle K	1,028	748	21.7	15.2	2.1	2.0	NA	NA	NA
66. Edison Brothers	1,022	916	48.9	23.2	4.8	2.5	17.9	2,175	90

* Retail only ** Operating earnings ( ) Loss NA Not available † Estimated ª Minus 263 closed ᵇ Sold 269

Source: Chain data and *Chain Store Age Executive* estimates

$100 MILLION CLUB

Chains	1983 Sales (000)	1982 Sales (000)	1983 Earnings (000)	1982 Earnings (000)	1983 Earnings As % of Sales	1982 Earnings As % of Sales	Return On Equity	Existing Units 1983	Units To Be Added 1984
67. Zale Corp.	$ 1,003	$ 940	$ 35.4	$ (0.1)	3.5	NA	8.7	1,552	NA
68. Borman's	996	1,001	(10.9)	7.4	-1.1	0.7	NA	101	2-5
69. U.S. Shoe*	973	768	78.1**	58.4**	NA	NA	NA	1,123	245
70. Pantry Pride	942	930	13.5	15.5	1.4	1.7	33.6	148	8
71. Evans Products	928	790	69.6	56.3	NA	NA	NA	345	NA
72. Consumer's Dist.	899	788	16.1	13.1	1.9	1.7	0.2	339	41
73. Weis Markets	892	812	50.1	43.2	5.6	5.3	18.9	116	5
74. Smith's	888	848	NA	NA	NA	NA	NA	NA	NA
75. Pneumo Corp.*	882	825	20.8**	17.6**	NA	NA	NA	187	NA
76. Roundy's	877	703	NA	NA	NA	NA	NA	NA	NA
77. G. C. Murphy	872	822	18.4	11.7	2.1	1.4	13.0	403	1
78. Payless Cashways	865	603	34.6	23.1	4.0	3.8	19.8	118	36
79. Payless Drug (N.W.)	853	785	24.7	19.4	2.9	2.5	24.9	149	10
80. Dillard Dept. Stores	848	711	34.1	21.9	4.0	3.0	21.2	66	15
81. Roses	829	662	21.9	11.6	2.6	1.8	21.7	191	8-10
82. Peoples Drug	791	688	13.7	10.5	1.7	1.5	16.5	575	55
83. Nordstrom	788	613	40.2	27.0	5.1	4.4	18.3	39	4
84. Schnuck Markets	750	650	NA	NA	NA	NA	NA	NA	NA
85. Purity Supreme†	740	463	NA	NA	NA	NA	NA	NA	NA
86. Big Bear (Ohio)	704	652	9.8	8.6	1.4	1.3	27.7	90	0
87. Stater Bros. Markets	700	650	NA	NA	NA	NA	NA	93	3
88. Interco*	694	686	29.0**	22.3**	NA	NA	NA	551	NA
89. 84 Lumber	690	600	NA	NA	NA	NA	NA	374	NA
90. Western Auto	690	NA	NA	NA	NA	NA	NA	NA	NA
91. Ames	647	423	19.9	12.4	3.1	2.9	22.3	168	12
92. Levitz	644	486	27.4	8.8	4.3	1.8	19.0	85	10
93. Raley's	640	500	NA	NA	NA	NA	NA	45	4
94. National Convenience	632	617	14.2	12.2	2.2	2.0	23.6	1,012	75
95. Petrie	626	567	47.6	45.4	7.6	8.0	17.3	953	50-75
96. Hannaford Bros.	624	559	9.6	7.9	1.5	1.4	18.4	94	8
97. Cole National	617	500	17.7	12.7	2.9	2.5	18.8	599	71
98. Bruno's	605	549	15.2	12.4	2.5	2.3	28.0	66	8
99. Demoulas†	605	425	NA	NA	NA	NA	NA	NA	NA
100. Marsh Supermarkets	605	568	1.6	4.6	0.2	0.8	NA	220	NA
101. Hughes Markets†	600	420	NA	NA	NA	NA	NA	NA	NA
102. Shaw†	600	425	NA	NA	NA	NA	NA	NA	NA
103. Allied Supermarkets	576	603	14.8	42.8	2.6	7.1	30.4	17	0
104. Wegmans†	575	400	NA	NA	NA	NA	NA	NA	NA
105. Cook United	556	603	(61.3)	(6.4)	NA	NA	NA	94[a]	NA
106. Strawbridge & Clothier	546	472	20.1	14.1	3.8	3.0	13.8	30	1
107. Food Giant	542	500	NA	NA	NA	NA	NA	NA	NA
108. Gray Drug†	540	NA	NA	NA	NA	NA	NA	401	NA
109. Hartmarx*	538	456	35.1**	20.5**	NA	NA	NA	400	NA
110. Delchamps	536	501	6.9	6.7	1.3	1.3	18.7	73	7
111. Smitty's†	534	510	NA	NA	NA	NA	NA	NA	NA
112. Big V Supers	526	517	5.5	7.3	1.0	1.4	14.4	31	1
113. Morse Shoe	523	448	19.2	(2.2)	3.7	NA	16.4	1,196	20
114. H. J. Wilson	514	458	8.8	5.6	1.7	1.2	7.6	79	NA
115. Shopwell	512	477	1.8	2.9	0.4	0.6	6.6	65	1
116. Alexander's	511	507	4.6	3.2	0.9	0.6	7.5	15	0
117. Fisher Foods	506	524	0.5	(0.2)	0.1	NA	0.7	48	2
118. Sentry Food	499	486	1.5	2.1	0.3	0.4	5.6	44	2
119. Thriftimart	498	503	3.8	3.9	0.8	0.7	9.4	44	2
120. Penn Traffic*	495	438	13.5**	10.5**	2.7	2.4	12.4	75	NA
121. Nash Finch*	489	493	7.3**	7.7**	NA	NA	NA	59	NA
122. The Gap	481	445	21.6	18.2	4.5	4.1	21.1	550	46
123. Pueblo International	477	506	3.8	3.9	0.8	0.7	9.4	44	2
124. Gordon Jewelry	475	490	19.8	21.7	4.2	4.4	8.8	681	22
125. U-Tote 'M' †	475	330	NA	NA	NA	NA	NA	NA	NA
126. General Host*	462	289	38.2**	19.0**	NA	NA	NA	NA	NA
127. Piggly Wiggly So.†	450	NA	NA	NA	NA	NA	NA	79	NA
128. The Boys†	450	NA	NA	NA	NA	NA	NA	49	NA
129. Peter J. Schmitt†	442	NA	NA	NA	NA	NA	NA	62	NA
130. Boise Cascade*	440	310	NA	NA	NA	NA	NA	85	NA
131. Foodarama	440	426	0.2	1.2	0.0	0.2	0.7	31	NA
132. Heck's	435	399	9.6	11.1	2.2	1.3	8.4	122	6

* Retail only ** Operating earnings ( ) Loss † Estimated NA Not available [a] 41 to be closed in 1984

Source: Chain data and *Chain Store Age Executive* estimates

$100 MILLION CLUB

Chains	1983 Sales (000)	1982 Sales (000)	1983 Earnings (000)	1982 Earnings (000)	1983 Earnings As % of Sales	1982 Earnings As % of Sales	Return On Equity	Existing Units 1983	Units To Be Added 1984
133. General Mills*[a]	$ 429	$ 453	$ 16.1**	$ (11.9)**	NA	NA	NA	244	11
134. King Kullen†	428	NA	NA	NA	NA	NA	NA	55	NA
135. Arden Group*	423	458	7.0**	7.7**	NA	NA	NA	64	NA
136. Sutherland	423	345	NA	NA	NA	NA	NA	82	4
137. Harris-Teeter†	422	NA	NA	NA	NA	NA	NA	NA	NA
138. Ingles	418	378	4.9	3.9	1.2	1.1	13.4	83	10
139. Jamesway	417	333	11.5	6.8	NA	NA	NA	NA	NA
140. Chatham†	410	NA	NA	NA	NA	NA	NA	41	NA
141. HRT Inc.	410	444	(35.8)	(38.5)	NA	NA	NA	NA	NA
142. Pamida	410	361	NA	NA	NA	NA	NA	164	10
143. Woodward & Lothrop	404	358	15.5	10.7	3.9	3.0	13.1	16	0
144. Brookshire†	400	NA	NA	NA	NA	NA	NA	69	NA
145. C. R. Anthony	396	396	9.8	9.2	2.5	2.3	13.3	289	6-8
146. Munford	396	373	7.5	7.2	1.9	1.9	16.6	1,140	95-110
147. Schwegmann's†	380	NA	NA	NA	NA	NA	NA	11	NA
148. A. J. Bayless	378	384	3.4	1.5	0.9	0.4	10.9	59	1
149. General Nutrition	375	355	24.9	24.8	NA	NA	NA	NA	NA
150. Scrivner's*	375	292	6.1**	7.9**	NA	NA	NA	NA	5
151. Price Club†	370	NA	NA	NA	NA	NA	NA	16	NA
152. Schultz Sav-O	369	363	1.1	1.3	0.3	0.4	10.7	39	NA
153. Times Square†	364	NA	NA	NA	NA	NA	NA	23	NA
154. Scotty's[1]	359	308	11.3	11.1	3.1	3.6	NA	105	NA
155. Ward's Co.	357	246	12.0	5.5	3.4	2.2	35.7	97	16
156. Almac†	350	NA	NA	NA	NA	NA	NA	40	NA
157. Jitney Jungle†	350	NA	NA	NA	NA	NA	NA	52	NA
158. Dollar General	347	290	15.1	11.3	4.4	3.9	21.5	1,128	30
159. Carson Pirie Scott*	343	323	14.9**	14.6**	NA	NA	NA	24	NA
160. S. M. Flickinger	342	340	NA	NA	NA	NA	NA	78	NA
161. Mayfair Supermarkets	341	320	3.1	2.2	9.2	6.8	43.8	32	NA
162. Giant Food (Pa.)†	340	NA	NA	NA	NA	NA	NA	34	NA
163. Village Supers†	340	NA	NA	NA	NA	NA	NA	21	NA
164. Brooks Fashions	336	212	23.5	7.2	7.0	3.4	NA	NA	NA
165. The Pantry†	332	325	NA	NA	NA	NA	NA	475	25
166. Red Food†	330	NA	NA	NA	NA	NA	NA	39	NA
167. Tamarkin†	330	NA	NA	NA	NA	NA	NA	44	NA
168. Victory Markets	329	323	2.9	2.6	0.9	0.8	18.4	87	3
169. Hook Drugs	321	285	8.7	6.6	2.7	2.3	21.4	298	25
170. Duckwall-ALCO	317	216	8.6	4.3	2.7	2.0	16.8	159	7
171. Schottenstein Stores	317	274	27.1	21.4	8.5	7.8	41.0	NA	NA
172. Minyard Foods†	315	NA	NA	NA	NA	NA	NA	52	NA
173. Fay's Drug	312	270	8.1	5.5	2.6	2.0	20.7	102	17
174. Hechinger	310	241	16.2	11.7	5.2	4.9	18.9	41	7
175. Randall Stores	310	300	4.2	5.3	1.4	1.8	17.5	33	3
176. Diamond Lumber	306	244	NA	NA	NA	NA	NA	97	NA
177. Pep Boys	306	265	15.5	12.1	5.0	4.6	18.4	124	NA
178. Pearle Optical	305	258	17.3	12.0	5.7	4.7	18.7	590	115
179. Fred W. Albrecht†	300	NA	NA	NA	NA	NA	NA	28	NA
180. Adams Drug	302	286	7.1	4.6	2.4	1.6	16.5	420	NA
181. Brown Group*	299	278	128.9**	23.5**	NA	NA	NA	1,929	237
182. Standard Brands Paint*	297	260	18.6**	13.4**	6.3	5.1	14.2	119	10
183. Farm Fresh	295	265	7.1	5.4	2.4	2.0	NA	NA	NA
184. Mott's Supermarkets	295	294	1.5	3.5	0.5	1.2	NA	NA	NA
185. Dart Drugs†	292	NA	NA	NA	NA	NA	NA	71	NA
186. Tradewell Stores	291	311	1.6	3.0	0.6	1.0	8.2	103	2
187. Elder-Beerman	289	262	7.1	1.8	2.5	0.7	5.7	206	0
188. Country Club†	287	NA	NA	NA	NA	NA	NA	32	NA
189. Perry Drug	286	244	4.5	2.9	1.9	1.2	11.5	183	NA
190. Oshmans	283	247	10.3	7.1	3.6	2.9	19.7	186	15-19
191. Inserra Supers	280	NA	NA	NA	NA	NA	NA	15	NA
192. S. E. Nichols	277	257	6.8	2.5	2.4	0.1	21.0	42	NA
193. Fareway Stores†	276	NA	NA	NA	NA	NA	NA	42	NA
194. The Lawson Co.	275†	NA	NA	NA	NA	NA	NA	NA	NA
195. Family Dollar	264	207	15.7	10.7	5.9	5.2	NA	NA	NA
196. Home Depot	256	118	NA	NA	NA	NA	NA	19	NA
197. Ernst Home Centers†	255	230	NA	NA	NA	NA	NA	72	NA
198. Hess's	254	240	8.6[b]	4.8[b]	3.4	2.0	16.7	29	3

* Retail only ** Operating earnings ( ) Loss † Estimated NA Not available [a] Year ended May 29, 1983 [b] Pretax [1] Year ended July 2, 1983

Source: Chain data and *Chain Store Age Executive* estimates

$100 MILLION CLUB

Chains	1983 Sales (000)	1982 Sales (000)	1983 Earnings (000)	1982 Earnings (000)	1983 Earnings As % of Sales	1982 Earnings As % of Sales	Return On Equity	Existing Units 1983	Units To Be Added 1984
199. D. H. Holmes	$ 254	$ 241	$ 8.5	$ 6.9	3.3	2.9	14.9	14	1
200. Shop & Go	254	202	8.9	6.4	3.5	3.2	NA	NA	NA
201. Glosser Bros.	253	224	4.3	3.1	1.7	1.4	15.6	49	15
202. Fiesta Markets†	250	NA	NA	NA	NA	NA	NA	NA	NA
203. Melmarkets†	250	NA	NA	NA	NA	NA	NA	15	NA
204. Pay N Pack	250	187	10.0	6.4	4.0	3.4	NA	100	NA
205. Peavey†	250	NA	NA	NA	NA	NA	NA	230	NA
206. H. C. Prange	248	233	3.6	1.3	1.4	0.6	10.0	71	1
207. Higbee	246	215	6.3	3.1	2.5	0.1	6.4	11	NA
208. Consumer's Market†	240	NA	NA	NA	NA	NA	NA	32	NA
209. Handyman	240	200	NA	NA	NA	NA	NA	77	NA
210. House of Fabrics	240	231	9.7	11.3	4.0	4.9	14.3	684	70
211. Milgram Food†	240	NA	NA	NA	NA	NA	NA	38	NA
212. Save Mart†	240	NA	NA	NA	NA	NA	NA	NA	NA
213. Charming Shoppes	238	174	17.3	12.1	7.2	7.0	27.0	362	NA
214. Miller-Wohl	237	222	16.5	16.4	6.9	7.4	16.7	350	NA
215. Food World (N.C.)	236	210	NA	NA	NA	NA	NA	62	5
216. B. Altman	235	210	NA	NA	NA	NA	NA	7	0
217. Menards†	228	200	NA	NA	NA	NA	NA	21	NA
218. Pic 'n Save	227	178	36.5	27.0	16.0	15.2	31.0	85	5
219. Wawa Markets†	226	NA	NA	NA	NA	NA	NA	273	NA
220. Lowe's Food Stores†	222	NA	NA	NA	NA	NA	NA	95	NA
221. Houchens†	216	NA	NA	NA	NA	NA	NA	50	NA
222. Burlington Coat	215	128	12.0	6.9	5.6	5.4	NA	NA	NA
223. Fisher's Big Wheel†	215	NA	NA	NA	NA	NA	NA	66	NA
224. Lanoga	215	NA	NA	NA	NA	NA	NA	126	NA
225. Ole's Home Centers†	215	188	NA	NA	NA	NA	NA	25	NA
226. Jacobson's	213	189	4.4	1.8	2.0	0.9	15.5	19	0
227. Fabri-Centers	209	210	4.6	7.2	2.2	3.4	8.5	628	50
228. Angelo's†	204	NA	NA	NA	NA	NA	NA	73	NA
229. Ann & Hope†	203	NA	NA	NA	NA	NA	NA	6	NA
230. Central Hardware†	200	180	NA	NA	NA	NA	NA	30	NA
231. Lancos†	200	NA	NA	NA	NA	NA	NA	26	NA
232. Dixieland Food†	197	NA	NA	NA	NA	NA	NA	NA	NA
233. Jewelcor	196	182	1.3	0.5	0.6	0.0	NA	NA	NA
234. Brentwood Markets†	195	NA	NA	NA	NA	NA	NA	NA	NA
235. Genovese	194	159	3.9	2.6	2.0	1.7	21.3	72	6-8
236. Wonder Market	190	150	NA	NA	NA	NA	NA	14	NA
237. Harding Friendly Markets†	186	NA	NA	NA	NA	NA	NA	38	NA
238. Pier 1	186	165	10.9	8.6	5.9	5.2	NA	NA	NA
239. Rosauer's†	185	NA	NA	NA	NA	NA	NA	24	NA
240. Giant Food (Tenn.)†	183	NA	NA	NA	NA	NA	NA	45	NA
241. Goudchaux/Maison Blanche	182	156	NA	NA	NA	NA	20.8	6	7
242. Kay Jewelry	182	158	3.6	(0.5)	2.0	(0.3)	15.7	337	4
243. Wieboldt's	181	179	(3.5)	(1.9)	NA	NA	NA	13	0
244. Big Bear (Calif.)†	180	NA	NA	NA	NA	NA	NA	30	NA
245. Community Cash†	180	NA	NA	NA	NA	NA	NA	37	NA
246. Copps	180	183	NA	(0.3)	NA	NA	NA	25	0
247. Falley's†	180	NA	NA	NA	NA	NA	NA	NA	NA
248. West Building†	180	157	NA	NA	NA	NA	NA	65	NA
249. Sym's	179	147	10.3	7.5	5.8	5.1	NA	NA	NA
250. Younkers	179	167	4.8	1.9	2.7	0.4	6.2	29	0
251. House & [illegible]†	175	NA	NA	NA	NA	NA	NA	NA	NA
252. Big Discount Wonder Markets†	170	NA	NA	NA	NA	NA	NA	13	NA
253. Sunshine Jr. Stores	169	172	1.8	1.8	1.1	1.0	NA	352	NA
254. King's Super Markets†	168	NA	NA	NA	NA	NA	NA	NA	NA
255. [illegible]	166	163	(0.9)	0.4	NA	2.7	NA	57	NA
256. Basha's†	165	NA	NA	NA	NA	NA	NA	33	NA
257. Little General†	165	NA	NA	NA	NA	NA	NA	359	NA
258. McCoy's Building Supply†	165	129	NA	NA	NA	NA	NA	50	NA
259. Harmon City Markets	162	149	NA	NA	NA	NA	NA	5	1
260. Spencer Gifts	161	139	15.2	5.2	9.5	3.8	14.4	435	2
261. [illegible] Home Centers†	160	140	NA	NA	NA	NA	NA	42	NA

* Retail only ** Operating earnings ( ) Loss NA Not available † Estimated

Source: Chain data and *Chain Store Age Executive* estimates

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Chains	1983 Sales (000)	1982 Sales (000)	1983 Earnings (000)	1982 Earnings (000)	1983 Earnings As % of Sales	1982 Earnings As % of Sales	Return On Equity	Existing Units 1983	Units To Be Added 1984
262. Quiktrip*†	$ 160	NA	NA	NA	NA	NA	NA	266	NA
263. Sloan's Supers†	160	NA	NA	NA	NA	NA	NA	41	NA
264. Sprouse-Reitz	159	$ 151	$ 4.4	$ 3.7	2.8	2.4	9.8	320	15
265. Haverty Furniture	155	125	5.3	2.6	3.5	2.1	13.7	65	4
266. Scott's Food Stores†	155	NA	NA	NA	NA	NA	NA	NA	NA
267. Carr's Quality Centers†	154	NA	NA	NA	NA	NA	NA	NA	NA
268. D'Urso†	153	NA	NA	NA	NA	NA	NA	18	NA
269. ZCMI	151	141	3.6	3.3	2.4	2.3	12.0	8	1
270. Hamady	150	NA	NA	NA	NA	NA	NA	24	NA
271. Market Basket†	150	NA	NA	NA	NA	NA	NA	NA	NA
272. Martin & Bayley†	150	NA	NA	NA	NA	NA	NA	NA	NA
273. Rice Food†	150	NA	NA	NA	NA	NA	NA	39	NA
274. Dan's Supreme	148	NA	NA	NA	NA	NA	NA	24	NA
275. McRae's†	147	127	NA	NA	NA	NA	NA	13	2
276. Bonnie Be-Lo Markets†	145	NA	NA	NA	NA	NA	NA	NA	NA
277. Gaylord's	143	115	1.1	0.08	0.8	NA	7.7	37	NA
278. High's Dairy†	142	NA	NA	NA	NA	NA	NA	NA	NA
279. Man-Deli†	142	NA	NA	NA	NA	NA	NA	16	NA
280. Big Y Foods	140	NA	NA	NA	NA	NA	NA	16	NA
281. Grand Auto	140	122	5.1	3.5	3.6	2.9	21.5	84	3
282. Singer Super†	140	NA	NA	NA	NA	NA	NA	7	NA
283. Waremart†	140	NA	NA	NA	NA	NA	NA	19	NA
284. Erb Lumber	137	97	2.1	0.8	1.5	0.8	NA	36	NA
285. Parisian	137	123	6.1	3.7	NA	NA	NA	NA	NA
286. Casey's†	136	NA	NA	NA	NA	NA	NA	NA	NA
287. Golden Gallon†	135	NA	NA	NA	NA	NA	NA	107	NA
288. Short Stop†	135	NA	NA	NA	NA	NA	NA	NA	NA
289. Ukrops Super†	135	NA	NA	NA	NA	NA	NA	NA	NA
290. Love's Country Store†	131	NA	NA	NA	NA	NA	NA	NA	NA
291. Genuardi's†	130	NA	NA	NA	NA	NA	NA	NA	NA
292. Red Apple†	130	NA	NA	NA	NA	NA	NA	NA	NA
293. Wyerhaeuser†	130	120	NA	NA	NA	NA	NA	11	NA
294. Shoe Town	129	NA	6.6	NA	NA	NA	NA	NA	NA
295. Forest City†	128	117	NA	NA	NA	NA	NA	20	NA
296. Gerland's Food†	128	NA	NA	NA	NA	NA	NA	14	NA
297. W. Bell	125	135	2.7	1.4	2.1	1.0	15.4	18	NA
298. Dahl's Food Markets†	125	NA	NA	NA	NA	NA	NA	NA	NA
299. Eberhard†	125	NA	NA	NA	NA	NA	NA	29	NA
300. Rini's Stop-N-Shop†	125	NA	NA	NA	NA	NA	NA	NA	NA
301. Alexander's Market†	121	NA	NA	NA	NA	NA	NA	NA	NA
302. Giant Super Markets/ Ray's†	121	NA	NA	NA	NA	NA	NA	NA	NA
303. Carter-Jones Lumber†	120	100	NA	NA	NA	NA	NA	136	NA
304. Foxworth-Galbraith†	120	70	NA	NA	NA	NA	NA	49	NA
305. Iandoli's Super Markets†	120	NA	NA	NA	NA	NA	NA	NA	NA
306. National Shoes	119	98	3.7	2.3	3.1	2.4	8.1	NA	NA
307. Phillips-Van Heusen*	119	111	NA	NA	NA	NA	NA	117	NA
308. Superamerica†	118	NA	NA	NA	NA	NA	NA	NA	NA
309. Heinen's†	116	NA	NA	NA	NA	NA	NA	NA	NA
310. Chicago Market†	115	NA	NA	NA	NA	NA	NA	12	NA
311. Warehouse Grocery Management†	115	NA	NA	NA	NA	NA	NA	14	NA
312. Nat'l Lumber & Supply	114	98	2.2	1.7	1.9	1.7	14.5	13	5
313. Wolohan†	112	89	NA	NA	NA	NA	NA	35	NA
314. Foodland Super Markets†	110	NA	NA	NA	NA	NA	NA	NA	NA
315. O'Malley's†	110	65	NA	NA	NA	NA	NA	19	NA
316. Quality Food†	109	NA	NA	NA	NA	NA	NA	NA	NA
317. Winkelman Stores	108	99	1.7	1.1	1.5	1.1	3.5	81	NA
318. H. G. Hill Stores†	105	NA	NA	NA	NA	NA	NA	NA	NA
319. Gottschalk's	104	95	NA	NA	NA	NA	NA	8	NA
320. Homecrafters Warehouse†	104	66	NA	NA	NA	NA	NA	36	NA
321. Paul Harris	101	90	3.4	0.7	3.4	0.8	23.1	178	15
322. Byerly's†	100	NA	NA	NA	NA	NA	NA	NA	NA
323. Stump's Enterprises	100	NA	NA	NA	NA	NA	NA	NA	NA

* Retail only † Estimated NA Not available

Source: Chain data and *Chain Store Age Executive* estimates

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Conglomerates

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
The Kroger Co.	[illegible]	[illegible]	[illegible]	[illegible]
Food Stores	13,931	13,574	1,428	1,418
Drug Stores (SupeRx)	789	716	606	563
Convenience Stores	260	252	352	352
Nonretail	256	220		
Federated Department Stores	[illegible]	[illegible]	[illegible]	[illegible]
Department Stores				
Bloomingdale's	788	681	14	13
Abraham and Straus	732	651	15	15
Foley's	626	598	15	14
Burdine's	630	583	25	23
Bullock's (including six Bullock's specialty stores)	589	518	28	26
Rich's	509	430	17	17
Lazarus	420	389	17	17
Sanger Harris	362	329	14	14
Shillito/Rikes	360	343	14	14
Filene's	293	254	14	12
Goldsmith's	148	131	6	6
Boston Store	131	118	8	8
Levy's (unit of Sanger Harris)	38	39	2	2
Specialty Stores				
I. Magnin	276	256	25	25
The Children's Place	103	69	114	89
Supermarkets				
Ralphs	1,474	1,276	127	118
Mass Merchandising				
Gold Circle	590	501	51	50
Richway	401	322	31	30
Lucky Stores	[illegible]	[illegible]	[illegible]	[illegible]
Food Stores	5,546	5,186	145	160
Lucky				
Eagle				
Food Basket				
Kash 'n Karry				
Department Stores				
Gemco	2,135	2,113	76	80
Specialty Stores	707	673		
Apparel			357	365
Pic-A-Dilly				
It's-A-Dilly				
Yellow Front				
Automotive			439	400
Kragen				
Checker				
Honey's				
Fabric			190	184
Hancock				
Fabric Warehouse				
Dayton Hudson	[illegible]	[illegible]	[illegible]	[illegible]
Target	3,118	2,412	205	167
Mervyn's	1,689	1,336	109	92
Department Stores	1,484	1,350	54	54
Hudson's	728	684	20	19
Dayton's	514	437	16	16
Diamond's	160	143	12	13
John A. Brown	82	86	6	6

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
Dayton Hudson (cont'd)				
Specialty Stores	672	562	707	668
B. Dalton	445	374	701	662
Lechmere	227	188	6	6
Jewel Cos.	[illegible]	[illegible]	[illegible]	[illegible]
Combination Stores	1,900	1,271	140	114
Buttrey/Osco			34	33
Eisner/Osco			10	9
Jewel/Osco			93	72
Sav-On			3	
Drug Stores	1,810	1,669	358	356
Osco			185	182
Sav-On			173	174
Supermarkets	3,510	3,488	193	234
Buttrey			23	25
Eisner			15	25
Jewel			105	132
Star			50	52
White Hen Pantry (convenience)			301	275
Jewel T (discount food)			132	140
F. W. Woolworth Co.	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Woolworth	1,821	1,707	1,263	1,230
Kinney Shoe (U.S.)	1,016	910		
Kinney			1,557	1,583
Susie's Casuals			260	296
Foot Locker			460	373
Lady Foot Locker			17	1
Fredelle			18	11
Frugal Frank's			21	14
Richman Brothers	222	198		
Richman			210	222
Anderson-Little			105	108
J. Brannam	71	85	38	30
Little Folk (Includes Kids Mart)	33		120	122
Household Merchandising	$ 4,631	$ 4,650	1,023	1,114
Vons	2,431	2,383	176	174
T.G. & Y. and AIM	2,000	2,267	812	901
Furniture Group	200		35	38
May Department Stores	[illegible]	[illegible]	[illegible]	[illegible]
Department Stores	2,988	2,655	144	142
May Co. (Calif.)	725	655	34	34
Hecht Co.	477	415	23	23
Famous-Barr	419	364	16	15
Kaufman's	302	269	11	10
May Co. (Cleveland)	212	189	10	7
Meier & Frank	204	177	7	8
G. Fox & Co.	174	153	8	10
M. O'Neil Co.	156	140	10	10
May D & F	148	136	11	10
Strouss	104	101	8	9
May-Cohens	68	58	6	6
Venture	794	680	51	47
Volume Shoe	429	319	1,389	1,279
Melville	[illegible]	[illegible]	[illegible]	[illegible]
Apparel				
Marshalls	1,062	830	174	137

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Chain and Division	Volume (in millions) Most Recent Fiscal Year	Volume (in millions) Prev. Fiscal Year	Units Most Recent Fiscal Year	Units Prev. Fiscal Year
[illegible]				
Chess King	190	152	494	488
Foxmoor	176	179	621	616
Wilsons	61	37	116	88
Footwear				
Meldisco	848	759	2,042	2,002
Thom McAn	444	455	1,167	1,238
Open Country	26	24	87	79
CVS	734	616	513	466
Kay-Bee Toy & Hobby	281	183	456	361
Linens 'n Things	80		77	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Department Stores				
Lord & Taylor	630	564	40	39
J. W. Robinson (Calif.)	470	415	21	21
L. S. Ayres	275	255	18	13
Sibley, Lindsay & Curr	172	164	14	14
Joseph Horne	170	160	13	13
Denver Dry Goods	128	115	12	12
Hahne	112	104	8	8
Goldwaters	102	91	9	9
Robinson's (Fla.)	84	74	7	7
Stewart's Dry Goods	70	66	7	7
H & S Pogue	67	65	5	5
Powers Dry Goods	48	45	7	7
Caldor	1,100	925	95	79
Loehmann's	290	260	67	61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jordan Marsh (New England)	470	410	16	14
The Bon	430	370	36	35
Joske's	400	340	28	28
Stern's	350	310	16	15
Maas Bros.	300	270	19	19
Jordan Marsh (Fla.)	260	240	15	14
Brooks Bros.	210	180	38	34
Pomeroy's	130	120	14	14
Bonwit Teller	125	110	14	13
Miller & Rhoads	120	110	22	22
Donaldson's	110	100	9	9
Garfinckel's	100	90	10	10
Miller's	90	80	12	11
Read's	75	70	6	5
Block's	75	70	9	9
Plymouth Shops	54	49	46	45
All Others (Troutman's, Deys, Cain-Sloan, Levy's, Herp's, Heer's, Wren's, Muller's, Catherines, Ann Taylor, Harzfelds)	377	297	253	229
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The Broadway (So. Calif.)	815	720	40	40
Emporium Capwell	570	482	21	20
Neiman-Marcus	510	420	20	18
John Wanamaker	415	355	16	16
Waldenbooks	407	345	843	801
Weinstock's	215	180	12	12
Thalheimers	220	179	26	25
Holt-Renfrew	180	165	17	17
Broadway-Southwest	145	120	10	10
Contempo Casuals			79	66
Bergdorf Goodman			1	1

Chain and Division	Volume (in millions) Most Recent Fiscal Year	Volume (in millions) Prev. Fiscal Year	Units Most Recent Fiscal Year	Units Prev. Fiscal Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pathmark	3,049	2,838	147	136
Supermarkets			130	121
Drug Stores			17	15
Rickel Home Centers	275	224	36	34
Department Stores (Howland, Steinbach, Hochschild, Kohn)	193	186	33	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bamberger's	1,055	900	23	23
Macy's New York	1,045	900	17	16
Macy's California	880	750	22	21
Davison's	270	225	13	13
Macy's Midwest	215	200	18	19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saks Fifth Avenue	836	740	38	34
Marshall Field's	675	618	21	20
Gimbels East	470	417	20	20
Frederick & Nelson	228	200	15	15
Kohl's Department Stores	211	140	31	22
Gimbels Midwest	200	184	11	11
Gimbels Pittsburgh	160	148	7	7
J. B. Ivey & Co.			25	24
John Breuner Co.			53	42
The Crescent			3	3
Thimbles			8	
[illegible]	[illegible]	[illegible]		
Zayre	1,902	1,616	275	264
Specialty Stores	267	190	474	353
Hit or Miss			356	267
T. J. Maxx			118	86
[illegible]	[illegible]	[illegible]		
Eckerd Drug	2,010	1,810	1,319	1,238
JByrons	188	169	48	43
American Home Video	131	97	179	163
Eckerd Optical Centers			157	157
Eckerd Apparel			94	87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
McCrory	818	760	716	718
Lerner	699	682	796	790
OTASCO	303	291	288	284
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gayfers	285	250	12	12
McAlpin's	270	240	9	9
The Jones Stores	170	150	7	7
Castner Knott	160	140	10	10
Joslins	145	125	9	8
Gayfers Montgomery/Fair	130	115	6	6
JB White	112	100	7	6
Bacons	105	95	6	6
The Lion	90	80	3	3
The Right House			3	3
Hennessy's			3	3
Root's			1	3
deLendrecie's			1	1
Glass Block			1	1

Source: Chain data and *Chain Store Age Executive* estimates

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merchandise handling improvements, renovations to selling areas and the centralization of selected data processing and administrative services.

May Co.'s 1983 sales topped the $4 billion mark for the first time, totaling $4.2 billion, up 15.3% over last year's $3.6 billion. A remarkable 32% increase in net income raised net earnings to $187 million, reflecting the company's ninth consecutive year of record earnings.

Contributing to that end were significant advances in operating earnings reported by each of the company's divisions. Department stores were up 21.5%; Venture, 45.2%, and Volume Shoe, 44.9%.

Dayton Hudson marked its 13th consecutive year of improved earnings with an increase of 23% to $243.2 million from last year's $198.4 million. Its 22% increase in earnings per share came right on the heels of a 23% increase in 1982.

Sales increased similarly, up 23% to $6.9 billion from the previous year's $5.6 billion, while comparable-store sales went up 11%.

The company's department store group experienced a 36% increase in operating profits to $155.7 million, on sales of $1.48 billion. That figure was dragged down, however, by the company's six-store John A. Brown division, which saw sales fall 5% to $81.6 million from $86.1 million in 1982.

Hudson's, having substantially improved its operating expense rate and moderately increasing its gross margin rate, ended the fiscal year with an operating profit increase of 27% on sales that grew a mere 6% to $728 million. Dayton's increased its sales and operating profit 18% and 42%, respectively, with major improvements in its operating expense rate that more than offset a slight reduction in its gross margin rate. Sales for that division totaled $514.3 million in 1983, up from $437.3 million a year earlier.

These two bright spots in Dayton Hudson's department store group are presently in the process of merging, according to an announcement made in March of this year. The resulting company, made up of 36 stores, will be the largest individual department store operation in the United States.

Allied Stores is attributing its record sales and earnings to last year's boost in the economy as well as the success of its merchandising efforts. The company's strategy of featuring upper-moderate and better apparel classifications, as well as the upgrade of its home furnishings business, helped increase Allied's net sales 14.3% to $3.7 billion from $3.2 billion the previous year. On a comparable-store basis, sales increased 11.4%.

The company also reported record net earnings of $128.5 million for the same period, an increase of 41.7% over the $90.7 million earned a year earlier. Contributing to this increase were improved controls on expenses and inventories, along with a $4.3 million decline in net interest expense in 1983, primarily as a result of favorable long-term financings during 1982.

During 1983, Associated Dry Goods (ADG) benefited from strong sales on top-of-the-line items in many of its merchandise classifications, to achieve a net sales increase of 16.6% to $3.7 billion, up from the previous year's $3.2 billion. Net earnings increased 47.3% to $115.5 million from $78.4 million in 1982.

Although still primarily a department store company, ADG has aggressively expanded its Caldor discount store division with the opening of 16 new stores in 1983. Loehmann's was acquired in May 1983 and its eight-month sales, since the acquisition, combined with Caldor's full year sales, accounted for 35% of the company's volume.

Sales of the 11 department store divisions advanced 7.3%, compared with an increase of 4.9% in 1982. Sales of continuing operations were up 10.9% to $2.4 billion, up from the previous year's $2.2 billion. ■

SUPERMARKET PROFILE

Struggle to post sales gains

Real sales increases were up in 1983, rising to 6.4% after being adjusted for inflation.

In 1983 retail sales in the supermarket industry increased by 7.6%, continuing a five-year trend of declining sales increases, according to statistics compiled by the Food Marketing Institute (FMI).

However, real sales increases for retailers were up, rising to 6.4% after being adjusted for inflation.

For most of the major food chains, substantial increases in 1983 were hard to come by. Not only was food price inflation almost nonexistent, but for many companies new store additions were held to a minimum; competitive pressures intensified (most notably from warehouse and superwarehouse store operators) and some areas of the country (most notably the Midwest) remained hard hit by the aftershocks of the recession.

Probably the most "disappointing" performance of the year was reported by Kroger, where sales rose only 3.2% from year-earlier levels while earnings dropped 33.9%.

Kroger management acknowledges that results were "hurt by more aggressive competition in important Kroger markets, the sluggish economic recovery and higher costs" and admits that it "underestimated the impact of these factors."

Sales at Safeway were up 5.3% in 1983, outpacing the rate of inflation; net income climbed 15%

Conditions were considerably better at Safeway, where sales were up 5.3%, outpacing the rate of inflation, and net income climbed approximately 15%. Management attributed most of these increases to the fact that its stores have become more price competitive, while also having enhanced the merchandise assortment and presentation. In addition, management has accelerated its store expansion program, improved store productivity, and instituted a program of ongoing expense control.

As a result of many of these actions, gross profit as a percentage of sales for the company also went up significantly in 1983, from 22.7% to 23.3%.

At Lucky Stores, sales increased by 5.2% while earnings increased by 14%, both setting new records for the company. In particular, sales and earnings for Lucky's food stores rebounded in southern California and in Arizona, along with growth in Florida. It remained a "difficult" year in the Midwest. The food stores contributed over 52% of Lucky's total earnings and 66% of sales.

During 1983, the company opened larger, prototype food centers in each of its food divisions and added "service departments such as in-store bakeries, delis and pharmacies at a rapid rate."

Management adds, "We have been remodeling and remerchandising our stores in each of our divisions based on what our customers have told us."

Attention to customer demographic trends is, in fact, showing up throughout the supermarket industry. For example, Albertsons' management emphasizes that the chain has developed several store formats specifically in response to changing consumer attitudes.

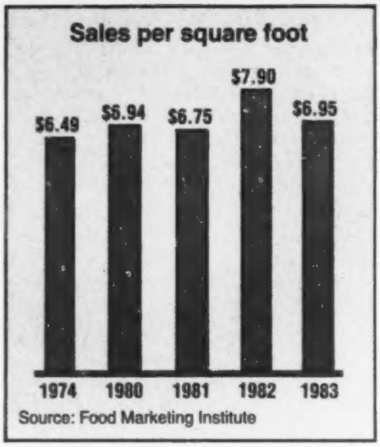
At Albertsons, sales during 1983 were up 8.6%, while net earnings soared 20.4%. According to management, this achievement was particularly notable because of the challenges of operating in the 1983 economic environment. These included "an uncertain economy, greater price competition" and the fact that operating costs continued "to rise more rapidly than selling prices."

For Supermarkets General, 1983 was a year of both record sales, up 8%, and record earnings, up 7%. Supermarket sales, at $3 billion, contributed 87% of the company's total, the same percentage in 1983.

Last year Supermarkets General undertook the most aggressive expansion program in terms of square footage added, in the history of its Pathmark supermarket division. Much of this expansion involved either the construction of new supercenters or the conversion of existing stores to this concept, which includes a variety of new merchandising departments.

Management notes that supercenters open for the full year generated average-store volume of over $26 million, while the typical supermarket in the industry averages approximately $10 million per year. (The supercenters average 34,000 sq. ft. of selling space, or 48,000 sq. ft. in total.)

Other chains are also recognizing the advantages of building or converting more stores to a larger format—following the trend of providing one-stop shopping destinations. At Stop & Shop, for example (where corporate sales and earnings also reached record highs), four new Super Stop & Shops were opened in 1983 and 11 are planned for this year.



Source: Food Marketing Institute

Management notes that such superstores resulted not only in higher volume stores, but also in enhanced profitability due to the shift in the merchandise mix to higher margin items. It expects that the growth of the superstores will continue to improve bottom-line results.

Already in 1983, despite intensive competition from warehouse and superstore openings by other operators, the supermarket company continued to experience sales growth and made an improved contribution to corporate profits.

Store expansion was also on the minds of the management of American Stores, where during 1983, seven combination drug/food stores were opened. The company also remodeled nine first-generation combination stores in Texas and 157 food and drug stores in other regions. For the year, the company also reported new records in both sales, up 6.3%, and net earnings, up a whopping 30%.

At Jewel Cos., recently acquired by American Stores, the four supermarket companies also posted record sales and earnings for the sixth consecutive year. Sales were up 1.5% over 1982 while pretax earnings increased 28.2%. The largest increases were posted by Star Market in New England. ■

DRUG STORE PROFILE

Chain drug operators markedly improved performance in sales over the prior year.

Riding on the recovery

It's often said that drug store companies are recession-resistant. The drug store is at an advantage in a soft economy because health aids and pharmaceuticals are always in demand, whether the economy itself is healthy or not. And the other merchandise categories—housewares, cosmetics, sundries and the like—contain enough low-ticket merchandise to entice the consumer even when discretionary income is tight.

In the last year or so, however, the nation's leading drug chains also proved that they are not recovery-resistant. By almost every standard—sales, income, net-to-sales, return on equity and so on—chain drug store operators markedly improved their performances over the year before.

Take Hook Drugs, for instance. The Indianapolis-based company amassed sales of $321 million in 1983, a gain of 12.4% over $285 million in 1982. Hook's 288 drug stores and 10 convalescent aids centers also generated net income of $8.7 million, a 32% improvement over $6.6 million the year before. That translates into $2.01 per share, 49¢ more than the chain earned in 1982.

Hook also achieved a return on

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Auto Stores:
RX FOR
CHAIN DRUG PROFITS

TWENTY DOLLARS A YEAR (USA)

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provement area," adds Wintzer. "There's a real need for the specialty store approach, the right selection and qualified sales help. The drug chains have expertise in those areas. They've also got real estate skills, warehousing know-how and—more than anything—money to invest. They're cash-rich."

Nor are the auto parts stores all that strange an animal to the drug store operator. Chain drug execs say that it may be a greater challenge to make the consumer feel comfortable in the store, and more of a need to explain the use of product. Also, not all locations that match up with the drug store will also fit the auto parts store, since high-income areas don't breed a lot of do-it-yourselfers. But the similarities outweigh the differences.

"There's a lot of similarity between ADAP's operation and ours," says Ruble. "The stores depend on a distribution center for the majority of their merchandise, for instance. They're 8,000 to 10,000 sq. ft. and they're in a mixture of locations—some freestanding and some in strip shopping centers."

The payoff, of course, is in profits. (Of all the drug chain-owned auto parts operations, only Trak Auto West is not yet profitable.) In the first three quarters of fiscal 1984, for instance, Schuck's posted an operating profit-to-sales ratio of 10.1%, about double that of Pay 'n Save.

"Look at Pep Boys," says Wintzer. "They've got a 4.7% after-tax profit and a 16.8% return on equity—and they're in a turnaround situation. They may not have even peaked yet."

Most major drug chains would give their eyeteeth for a 4.7% after-tax profit, however. Of the industry leaders, only Rite Aid and Duane Reade, New York, N.Y., achieved better marks in that category this past year. And only a dozen drug chains exceeded a 16.8% return on equity.

Will the trend continue? Will other drug chains work their way under the hood of the auto supply store vehicle, whether through acquisition or internal experimentation? Industry observers say yes.

"We see this as a healthy diversification," says Roth. "We think it's inevitable, but on a selective basis, of course. Whether or not you look at such acquisitions depends on management's orientation. Some companies will prefer not to diversify and they'll be successful."

"Sure it will continue," says Wintzer. "In the drug store industry, there's a herd instinct. They watch each other like hawks, and when they see something that works, they all jump on it." ■

—Michael Friedman

Retailers developing methods to gauge productivity

Since the beginning of the 1980's recession, a major buzzword in the retail industry has become productivity. During this period higher operating costs coupled with a slowdown in sales growth have forced retail executives to come up with new methods of measuring performance.

As Fred Wintzer Jr., a retail analyst for Shearson Lehman/American Express says, "Although retailers began paying more attention to productivity earlier, it was during the recession of 1979-83 that so much emphasis was placed on the concept. One reason is that this country realized that our productivity was down compared with other countries. We wanted a better way to measure it."

He adds that the calculation of many of these productivity measurements was made possible "because of the development of minicomputers, along with scanning and electronic reordering systems. These gave retailers the tools to do the measuring."

A recent research study conducted by *Chain Store Age Executive* indicates that the majority of retail chains, or 63%, are utilizing more than one method to assess productivity performance. Sales per labor hour is the measure now being used most frequently, or by 58%. The survey respondents include supermarket, discount, drug, department store, home center and specialty store operators.

According to the survey, in 1983 estimated sales per labor hour averaged $60.30. Examined by retail sector, those at the supermarket level are highest at $80.20, followed by the discount stores at $61.10, home centers at $57.50, drug chains at $55.50, department stores at $48.60 and specialty stores at $40.90. The majority of the respondents, or 84%, report that these numbers are up from 1982. The average increase is 8.2%.

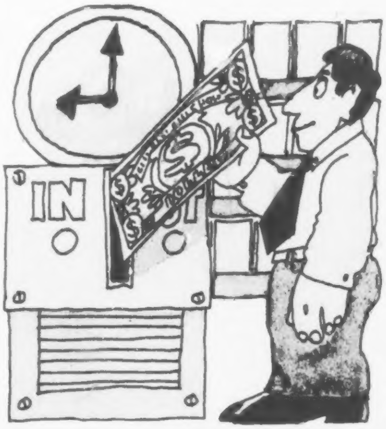
As for 1984, 88% of the respondents also expect to see further rises, increasing an average 7.3%.

Next in popularity is sales per gross square foot, used by 46% of the respondents. In 1983, this figure averaged an estimated $160.80, up approximately 9.3% from the year earlier figure and expected to climb an average of 6.9% during this year.

Such sales, as might be expected, are the highest among the specialty store chains, at $235. They are the lowest for the discount store and department store categories, at $130 and $132.10, respectively.

Sales per net square foot, cited by 43%, follow sales per gross square foot in popularity of usage. These also rose in 1983, up by an average of 8.9% to an estimated $151.50 for the total group.

These too are highest for the specialty store chains, at $265 per net



1983 estimated sales per labor hour*

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases:)	(105)	(17)	(18)	(26)	(18)	(16)	(10)
	%	%	%	%	%	%	%
Less than $25	8	—	6	4	6	6	40
$25-$50	24	29	28	12	33	25	20
$51-$75	15	18	22	4	6	31	20
$76-$100	19	12	17	42	11	6	10
$101 +	5	6	—	12	—	6	—
Refused comment	13	12	6	15	17	19	10
Don't know/No answer	16	24	22	12	28	6	—
(MEAN)	(60.3)	(61.1)	(55.5)	(80.2)	(48.6)	(57.5)	(40.9)

*for chains using this system

Source: *Chain Store Age Executive* research

1983 estimated sales per net square foot*

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases:)	(78)	(14)	(14)	(10)	(27)	(6)	(7)
	%	%	%	%	%	%	%
Less than $50	8	—	14	40	—	—	—
$50-$100	13	36	7	—	7	33	—
$101-$150	28	29	29	—	41	17	29
$151-$200	15	14	21	—	18	17	14
$201-$250	5	—	7	10	4	17	—
$251-$300	3	—	—	10	4	—	—
$301-$350	—	—	—	—	—	—	—
$351-$400	—	—	—	—	—	—	—
$401 +	5	7	—	10	—	—	29
Refused comment	14	14	7	20	11	17	29
Don't know/No answer	9	—	14	10	15	—	—
(MEAN)	(151.5)	(139.6)	(127.7)	(158.6)	(145.0)	(135.0)	(265.0)

*for chains using this system

Source: *Chain Store Age Executive* research

1983 estimated sales per gross square foot*

	Total	Discount	Drug	Supermarket	Department	Home Center	Specialty
(Bases:)	(83)	(13)	(19)	(16)	(13)	(11)	(11)
	%	%	%	%	%	%	%
Less than $50	10	—	5	38	—	—	9
$50-$100	13	23	5	—	15	46	—
$101-$150	24	46	37	—	23	9	27
$151-$200	11	—	21	6	8	18	9
$201-$250	4	—	10	—	8	—	—
$251-$300	2	—	5	6	—	—	—
$301-$350	4	8	5	—	—	—	9
$351-$400	2	—	—	—	—	—	18
$401 +	5	—	—	12	—	9	9
Refused comment	17	15	5	19	31	18	18
Don't know/No answer	8	8	5	19	15	—	—
(MEAN)	(160.8)	(130.0)	(161.2)	(159.0)	(132.1)	(144.4)	(235.0)

*for chains using this system

Source: *Chain Store Age Executive* research

square foot, and lowest for the drug chains, at $127.70 and the home center operations, at $135.

However, while the retail industry on average expects this number to increase by 8.4% for all of 1984, the biggest jump is expected by the home center retailers, estimated at 17.5% *(see accompanying story).*

In addition to differences in actual performance as judged by these various measurements, there are also major variations among the retail classifications in frequency of use of these different calculations.

For example, among supermarkets, sales per labor hour is clearly the most prevalent measurement, cited by 87%, significantly higher than in any other retail segment. This is logical in view of the fact that supermarket retailing is the most labor intensive industry segment—and also has the highest labor cost per hour due to the strong degree of unionization within the industry.

However, in addition, 53% of the supermarket respondents indicate that they calculate productivity by weekly sales per square foot of selling area and by sales per gross square foot. Other measures cited by supermarket operators include annual sales per employee, 40%, sales per net square foot, 33%, and weekly sales per employee, 33%.

Sales per labor hour is also the primary productivity determinant for discount chains, cited by 57%, followed by sales per net square foot, 47%, and sales per gross square foot, 43%.

Sales per gross square foot and sales per labor hour are used almost equally by drug store chains, cited by 63% and 60%, respectively, followed by sales per net square foot, utilized by 47%.

The survey shows that in 1983, sales per gross square foot averaged $130 for the discount chains and $160.80 for the industry as a whole. These sales were highest for the specialty store group, at $325, and lowest for discount stores and department stores, at $130 and $132.10, respectively.

Home centers appear slightly more inclined to calculate productivity through annual sales per employee, used by 60%, followed by sales per labor hour, at 53%.

Coincidentally, the survey results indicate that for 1983, annual sales per employee were highest at the home center level, at $128.10 (and lowest for the supermarket chains at $79.30).

For the total survey group, these sales averaged $97.80 in 1983. Eighty-six per cent of the respondents report that this is up from the previous year's figure, by an average of 10.5%, and 83% expect the measurement to show further increases this year, rising by an average of 7.7%.

The major differences in usage of these various calculations as a measure of productivity are seen in the department store category. Here sales per net square foot is shown to be the dominant measure used, cited by 90%. Sales per labor hour is the next most frequently used, at 60%, followed by gross profit per net square foot at 50%.

Somewhat surprisingly in view of the popularity of this calculation, gross profit per net square foot is lowest for the department stores, at $61, and highest among the supermarkets, at $175. These classifications are followed by the specialty stores and the drug stores, both at $110, and by the discount stores, at $86.70. This measure is not used at all by the home center group, according to the survey. During 1983, the figure averaged $94 for the total group.

Seventy-eight per cent of the respondents report that this number too climbed in 1983 above the year earlier figures, and 78% also expect further increases this year. Last year's increase averaged 10.7% and this year gross profit per net square foot is expected to climb by an average of 6.9%.

The survey indicates that the specialty stores use no one dominant method for measuring productivity. However, annual sales per employee is being used by the largest proportion, 40%, and gross profit per net

Methods used to measure overall productivity

(Bases:)	Total (180) %	Discount (30) %	Drug (30) %	Supermarket (30) %	Department (30) %	Home Center (30) %	Specialty (30) %
Sales per labor hour	58	57	60	87	60	53	33
Sales per gross square foot	46	43	63	53	43	37	37
Sales per net square foot	43	47	47	33	90	20	23
Annual sales per employee	40	27	33	40	40	60	40
Gross profit per gross square foot	23	17	23	10	27	27	37
Gross profit per net square foot	20	27	17	7	50	—	20
Other	12	10	20	10	10	—	20

Source: *Chain Store Age Executive* research

Methods employed to improve productivity

(Bases:)	Total (180) %	Discount (30) %	Drug (30) %	Supermarket (30) %	Department (30) %	Home Center (30) %	Specialty (30) %
Changing merchandise mix	73	70	80	53	67	77	70
Improving training for sales staff	72	73	80	67	80	73	60
Redesigning store	67	80	60	73	63	53	73
Adding/improving POS equipment	52	60	33	73	43	53	60
Changing staff mix in departments	39	43	33	47	53	30	30
Adding or improving non-POS computers	34	30	33	40	47	17	40
Creating incentives for sales staff	32	30	30	17	33	33	47
Reducing existing selling space	15	20	13	7	27	7	17
Building smaller stores	14	20	27	3	10	7	20
None of the above	2	3	3	—	—	—	3

Source: *Chain Store Age Executive* research

square foot is being used by the smallest proportion, or 20%.

In addition to the measurements already reported, there are three methods of productivity being used peculiar to the supermarket industry. These are: estimated weekly sales per square foot of selling area; weekly sales per employee, and estimated weekly sales per checkout.

For 1983, the survey shows that estimated weekly sales per square foot of selling area averaged $23.30, up approximately 5.9% from the year earlier calculations. This measure is expected to rise by a further 3.8% during the current year.

Weekly sales per employee reached an average of $2,900 in 1983, according to the survey, up 6.1% from 1982 and expected to increase a similar 6.2% this year. Weekly sales per checkout averaged $20,000, up 2.5% from 1982's levels and expected to increase at the same rate in 1984.

Among the other measures used to determine productivity mentioned by the respondents are the following: sales per linear foot; overall store gross profit; sales per selling square foot; sales per labor hour per employee; monthly sales per employee, and net profit per gross square foot.

On average, payroll represents 13% of total sales among the respondents surveyed. Thirty-five per cent of those questioned designate payroll in the 6% to 10% range, while 30% indicate it is in the range of 11% to 15%.

The average percentage of total sales represented by payroll varies slightly by the different classes of trade, ranging from a high of 16.4% reported by specialty stores to a low of 10.1% noted by the supermarket group. Nearly two-thirds, or 63% of the respondents surveyed, calculate payroll totally on computers.

Annual sales per employee were highest for home centers, $128.10; lowest for supermarkets, $79.30

As for which of the measurements is actually believed to be the most important indicator of productivity, corresponding to the earlier finding, sales per labor hour is the most important, according to 41%.

It is particularly dominant among the supermarket retailers, cited by 77%, and also judged most important by the home center, drug and discount store retailers, cited by 37% of each group. Somewhat surprisingly, it is also designated as most important by the department store respondents, also standing at 37%.

Re-emphasizing the uniqueness of the category's operating concepts, the biggest differences are in the specialty store classification. Here 27% of the respondents select annual sales per employee as their most important measure, while 20% select sales per labor hour and 20% select sales per gross square foot.

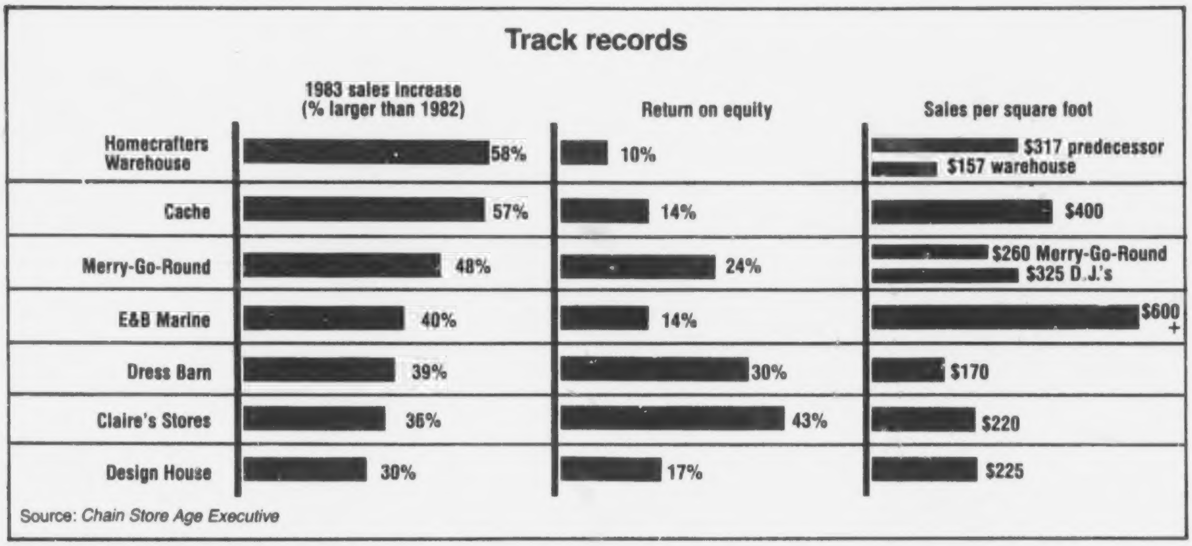
Retailers are obviously employing a number of methods to improve overall productivity in their chains. The survey results show that those being used most frequently by the respondents are the following: changing merchandise mix, utilized by 73%; improving training for sales staff, used by 72%, and redesigning of the store, being carried out by 67%. In addition, more than half of the respondents, or 52%, say that they added/improved point-of-sale equipment sometime during the past year.

Other methods used less frequently, but by at least one-third of the respondents, include: changing staff mix in departments, 39%; adding/improving non-point-of-sale computers, 34%, and creating incentives for sales staff, 32%. Measures utilized much less frequently include reducing existing selling space, cited by 15%, and building smaller stores, an activity undertaken by 14%.

Taking a closer look at the methods employed by the different retail groups, the survey finds that the redesigning of the store is the productivity improvement activity undertaken most frequently by the discount store industry (80%), the supermarket operators (73%) and by the specialty store group (73%). Changing the merchandise mix is No. 1 for the department stores (87%), for the drug chain retailers (80%) and for the home center classification (73%).

Improved training for sales staff is also a popular choice across the board. The breakdowns are as follows: 73%, discount stores; 80%, drug chains; 67%, supermarkets; 80%, department stores; 73%, home center chains, and 60%, specialty stores.

It now appears that one of the lasting effects of the recession is that productivity has joined profitability as an important indicator of store performance and management success. ■



Source: *Chain Store Age Executive*

On the track with explosive starts

Emerging growth companies are experiencing sharp sales increases and chalking up impressive earnings

About 28 years ago, a father and his 17-year-old son started a small Government and industrial surplus business in Staten Island, N.Y., on a shoestring with an investment of $540. Fairly early in his career the young Bob Bench discovered that selling marine paints at a 30% discount produced a stampede. So Bob and his brother Jerry decided to enter the discount boating supply business.

Last year, Bob Bench, chairman, and Jerry Bench, president, watched E & B Marine ring up sales of $31.3 million. The 13-unit chain, which displays every indication of becoming a national chain, has blossomed through an entrepreneurial spirit endemic to the country's fastest growing retail segment—specialty retailing.

The Benches are but one example of how a number of specialty retailers experienced sharp sales growth (in excess of 30%) last year while chalking up impressive earnings into the bargain.

What these emerging growth companies have in common is a specialty, a niche in the market that other retailers have neglected or never even imagined. These retailers are marketing merchandise that ranges from plumbing parts to evening gowns, and pulling in sales that range from $157 per square foot to over $600 per square foot. And their unusual specialties make them much in demand with developers.

These chains are not new, for the most part. Some of them have been in business for almost three decades. Most of them are new to the public arena; with many going public within the last year.

Chain Store Age Executive has selected a few of what it considers the emerging winners of tomorrow.

These include E & B Marine, the oldest company in the group, and Homecrafter's Warehouse, the youngest— only two years old. It went public last January, and if its current results are a tip-off, it may lead this group of specialty retailers in explosive sales growth. Its first-quarter sales growth was 60% over sales from comparable stores before the company was formed under new management last year.

E&B Marine's Robert Bench: "Our market share will be 24% in the next five years."

These chains have seen fast-track expansion propel rapid sales gains in recent years. The growth is more than a flash in the pan, although it is not expected to continue at these stratospheric levels. These retailers are developing systems and personnel to sustain profitability during the period when expansion takes precedence over marketing. Many of them will become national chains in the next few years.

Stephen Wiley, executive vp and treasurer of Homecrafters Warehouse, describes how that company has taken pains since its inception to insure orderly growth. A 10-year veteran of W.R. Grace's home center division during its tempestuous days of expansion in the 1970s, Wiley says that the only thing he worries about is growth.

"The rate of growth is the secret in terms of the infrastructure and how it can adapt," he says, pointing out that "Growth puts tremendous pressure on an organization."

The company was formed in August of 1983, and in October purchased 36 stores (Homecrafters Centers) from the Union Camp company. Those "predecessor" stores, ranging in size from 8,000 sq.ft. to 35,000 sq. ft., have been joined by nine warehouse stores averaging 70,000 sq. ft.

The chain's earnings went from a

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Comparative data

	1983 sales (in millions)	1983 net earnings (in millions)	Number of stores	Average store size (sq. ft.)	Annual inventory turns	Annual advertising budget (as a % of sales)	Years in business	Went public
Homecrafters Warehouse	$104	$0.6	34 predecessor 9 warehouse	12,000 predecessor 70,000 warehouse	6.0	5.0%	2	January 1984
Cache	11	0.4	28	2,000	3.5	3.0	9	February 1981
Merry-Go-Round	112	7.0	247	2,000 Merry-Go-Round 3,000 D.J.'s	6.0	1.5	16	July 1983
E&B Marine	31	2.0	13	9,300	5.5	4.0	28	April 1983
Dress Barn	43	2.0	101	4,500	5.5	2.0	25	May 1983
Claire's Stores	36	4.0	218	850	3.5	2.0	23	1964 (Formerly F. T. Industries)
Design House	13	0.6	21	4,500	3.5	8.0	11	October 1983

Source: *Chain Store Age Executive*

loss of $515,000 in 1982 to a bold profit of $579,000 in 1983. During that same period, there was a 58% sales increase, and the first quarter of this year saw a 60% increase over the same period last year in comparable store sales. This increase is notable because home centers traditionally have the strongest sales in the second and third quarters of the year.

At Homecrafters Warehouse, the principals are not worried about having the cash to expand. Wiley says that capital expenditures for 1984 will probably reach $6.5 million. The chain has a long term debt of $4.3 million. The 34-store chain was started from an existing company, thereafter acquiring 1,000 employees, a cash base, and sophisticated MIS systems as a base to grow from.

Perhaps more than any other company in this group, Homecrafters Warehouse is planning systematically for even, sustainable growth.

George Hanzi, ceo and a veteran retailer and consultant, has had plenty of experience in starting up chains including Gulf Mart, a discounter, Handy City and Handy Dan—both home center operations which were subsequently sold to W. R. Grace, the country's largest home improvement retailer. He also worked as a consultant to Sherwin Williams and K mart.

According to Hanzi and Wiley, the whole reason for acquiring Union Camp's Homecrafters stores was to provide a cash cow, personnel and viable systems from which to launch a warehouse-style home center chain. The chain now includes 34 predecessor stores and nine warehouse stores.

E & B Marine, which evolved through a family's keen sense of the market, seems as if it were dreamed up in a multimillion R&D operation. It incorporates a little of all the current research trends. It caters to affluent customers who can afford boats and offers every customer the chance to sweeten the coffers further through its direct-mail campaign and catalog. With $10 million in sales, it was 20% of last year's revenues.

Even though the chain must produce the lion's share of its revenue during the period from April 1 to Sept. 30, annual sales of $31.3 million represented a gain of 40% in 1983. Net earnings rose 68% to $1.9 million during the same period.

E & B's 13 units have practically no competition as there are only two other specialty chain retailers of boating supplies. One has just two stores.

Robert Bench, chairman, points out that, "According to a trade publication published by the Marine Manufacturing Association, E & B Marine has 4½% of the marine supply market. They say that in 1983 the market was $700 million.

"Our market share will be about 24% of the market in the next five years. That would be about $150 million. I figure we'll do about $65 million in 1985 when we end the year with about 27 stores."

Bench's vision of the future involves a national chain with 60 to 75 stores within five years. "You'll see stores in Detroit, Chicago, Cleveland and Toledo," says Bench, whose stores are now concentrated on the Eastern Seaboard.

The 9,300-sq.-ft. stores are in leased locations with an average rent of $6 per square foot. The real workhorse stores are the six freestanding units, with sales 10% to 12% ahead of E & B's mall units.

Claire's Stores is a 225-unit, low-priced retailer of costume jewelry and handbags that has done well in good times and in bad. Opened in 1961 and acquired by FT Industries in 1974, the chain became the main profit center of that corporation. In 1983, FT Industries sold off all its business and took the name of its favored child—Claire's Stores. Last year, the $36 million company had a 36% sales increase and a 38% earnings increase to $3.9 million.

According to Rowland Schaefer, the 67-year-old, no-plans-to-retire chairman, the operation has been profitable since its inception. He points out that business was strong even during the recent recession, and "We have a number of stores in Detroit, Flint and Rockford. During the recession, those stores had 20% to 30% store-for-store increases."

The stores' gross profit margin—49.4%—is one of the highest in the industry. It also has a strong after-tax profit margin of 6.7%.

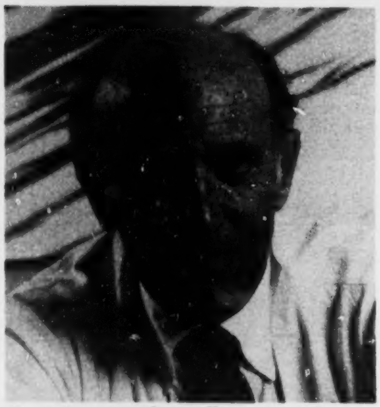
The productivity (sales of $220 per square foot) of these simple 885-sq.-ft. stores stacks up impressively next to department stores and mass merchandisers. These results are achieved with practically no advertising—only what is required by mall developers. And there appears to be a wide-open market for continued expansion and growth. Schaefer expects 240 units to be open by year's end, plans to add 70 stores in 1985 and 100 the following year. "After all," he says, "there are about 2,500 malls out there for us to go to."

The 70 stores being launched in 1985 will be financed by internally—generated funds at a cost of $4 million to $5 million, according to Schaefer, who indicates that subsequent years' expansions will be handled in the same fashion. The cost of opening a new store is reported to be about $60,000.

While Schaefer does not care to reveal the average rent he pays, it is clear that these stores are low overhead operations. They generally have only two full-time employees per store, sometimes with an occasional part-timer. The chain has one centrally located distribution center. Long-term debt was reduced from $5 million and change to $340,000 in 1983.

Cache is a 28-unit women's apparel chain designed to serve a high-income female consumer in regional shopping centers around the country. From Copley Place in Boston to Beverly Center, Los Angeles, the chain practices the Cadillac theory of retailing. Sales of $11 million were up 58% from the year before, and income from store operations—$2.6 million in 1983— was up 99% from 1982. Gross income as a percent of sales was 2.5% higher in 1983 than in 1982. Net earnings were up dramatically to $402,428 or 9¢ per share.

The chain was started in 1975 by Marilyn Rubinson, chairman. Her son, Mitchell Rubinson, is president and is responsible for operations and planning. He is candid about the good fortune that the chain has had and admits that in the beginning the operation was not terribly sophisticated. He indicated that the merchandising was done by feel in the beginning, but things have changed. "Our stores are profitable in the first week; we only had one store that took a year, and we've only had to close one store."



Dress Barn president Jaffe: Keeping the company in the public eye.

Mitchell Rubinson is calling for a chain total of approximately 40 stores by year end and a stepped-up expansion program—to bring the total to 80 units in the next three years, and about 160 stores in five years. Rubinson is optimistic about the availability of locations: "We have identified 125 locations," he says.

This past year, headquarters and distribution facilities were enlarged from 3,500 sq. ft. to 20,000 sq. ft., which Rubinson feels confident will accommodate the growing company for at least the next five years. He considers Cache to be "on the fastest track in the country. Our growth is compounding at 50% a year." And Terence McEvoy, first vp at Dean Witter Reynolds, concurs with that estimate.

The firm is extremely selective in recruiting. "We pay well to get the right people. We use both a psychological profile and polygraph in hiring. By the time we get the test results we know who they are," says Rubinson. He sees to it that the stores are shopped blindly twice a month to insure consistent service. These salesmen have chalked up sales per square foot of $400, and annual sales per employee are about $100,000.

Cache's greatest expenses stem from its rapid expansion of the store network, but costs seem to be manageable mainly because of developer support. McEvoy points out that "Shopping center developers are eager to have Cache as a tenant, and in most cases are paying for 50% to 75% of the leasehold and fixture costs necessary to open a new store. Despite a 15- to 20-unit annual expansion program in 1984-85, capital expenditures are not expected to run much above $250,000 per year. New stores generally require $150,000 of inventory, which can be handled by a combination of accounts payable and internally generated funds."

Design House International has been selling Scandinavian furniture for 11 years. According to David Kameron, president, 77% of the merchandise is imported, and the 21 stores sell enough that "We've become an important factor to manufacturers," he says. And this budding Southern chain is also an important factor to mall developers.

"There is space for our kind of operation in regional malls. What they don't need is another dress shop or shoe store," says Kameron. Sales of $12.8 million in 1983 were 30% above the prior year and comparable store sales increased 15% last year. Earnings increased 55% to $606,000 in 1983, and Kameron predicts an approximate 64% gain in 1984.

The main distinction between this furniture retailer and its competition is that Design House has been able to operate successfully in upscale regional malls while similar chains have concentrated their efforts on freestanding stores and city locations. "They don't know how to make money in malls," he says, pointing out that the average rent is $13 to $14 per square foot.

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stores of 20,000 sq. ft. Sales per square foot are $225, when the industry average is $75 or $80 per square foot," says Kameron.

Another difference between Design House and the competition is the fact that unlike other purveyors of furniture, this company accepts no installment sales. Design House does not offer credit on purchases, but they do tell their customers where to go for third-party credit. About 15% of sales are estimated to come from sources like Household Finance.

By year-end, the chain will number about 29 units and Kameron expects to spend about $1 million on store expansion this year. To build a store and put the inventory in place costs approximately $160,000, according to Kameron. "Of course, there are economies of scale when more than one store is being put in a market," says Kameron.

Last year the major expenditures were for warehouse improvements—Design House has a ratio of 65 sq. ft. of warehouse space to every square foot of retail space.

With small stores averaging 4,500 sq. ft., where the merchandise is on display but not for sale, Design House has no need for complicated POS equipment.

Advertising, which is done primarily in newspapers and four-color inserts, is high—about 8% of sales. That's partly because the entire operation is done in-house and the number includes salaries and materials. This year, however, according to Kameron, that number will drop to about 6%. In markets that do not have a substantial number of stores more advertising is required, so Design House concentrates ads in markets such as Houston and Miami.

Dress Barn is a "new" off-pricer that's been around for a quarter of a century, but has only gained notice since it went public in May of 1983. Its expansion has stepped up in recent years: from 21 stores in the Northeast in 1978, it added eight new stores in the following two years. In 1981, nine stores were opened, and in 1982, 11 stores were added. In 1983, the rate tripled with the opening of 33 stores. The company's sales rose 39% in 1983 to $43 million.

Cache's income from store operations in 1983 was up 99% from 1982; sales were up 58% to $11 million

"We grew up in Connecticut. Then we spread to Westchester and New Jersey where we are known as Clothes Barn. Now we're located from Maine to Florida," says Elliot Jaffe, president.

This year, The Gap stores closed out its Tags off-price operation and Dress Barn acquired four stores in Detroit and San Francisco. Industry observers point out that the Northeast is the most competitive off-price market, and the supposition is that "If you can make it there you can make it anywhere."

The cost of a typical new location is about $120,000, according to Jaffe. The company is in a strong cash position, one that the analysts call "overcapitalized"—with working capital in excess of $6 million and an unused bank credit line of $3 million.

The company went public in May of 1983 to obtain funds, "to continue to fuel a rapid expansion program and make acquisitions," says Jaffe, who adds that another motivation was to keep the company in the public eye.

"They stack up very well. They are unique among off-pricers, with more current goods and regular programs. They just buy a little later in the season and don't ask the terms that department stores ask," says Fred Wintzer, first vp-Shearson Lehman/American Express, of Dress Barn.

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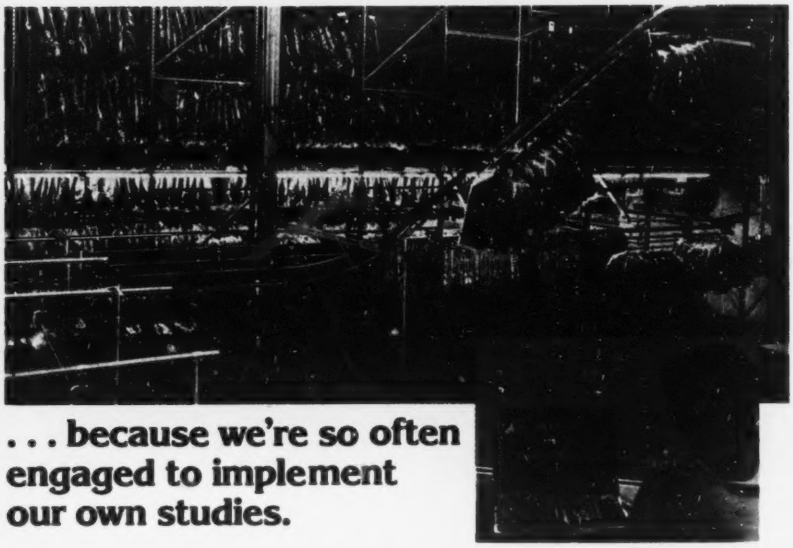

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"Our strongest markets are where we have a reasonably affluent customer," says Jaffe, who points out that these sophisticated consumers are generally found in metropolitan areas. The only areas that Jaffe considers to be problem markets are those with lower income customers, and there the merchandise mix has had to be adjusted.

In the main, the chain competes with department stores such as Macy's, Bambergers and A&S. But according to Jaffe, Dress Barn does it with a more service-oriented style than other off-pricers: "Our merchandise is patterned after stores like Casual Corner and The Limited," he says.

Merry-Go-Round is a clothing retailer whose key strategy is targeting a very narrow market through an intense advertising campaign. And although this 249-store company is driven by advertising, the annual advertising budget only amounts to 1% of sales. In 1983 Merry-Go-Round posted sales of $111.7 million, a 48% increase over 1982. Earnings rose 108% to $7.3 million, or $1.79 a share, compared with $3.5 million, or 88¢ a share the prior year.

These impressive results at the Merry-Go-Round (204 units), Ship'n Shore Showcase Shops (10 units), and D.J.'s (35 units) chains that comprise Merry-Go-Round were achieved through music video-style advertising on MTV. "We do radio and MTV and no print. The only print advertising we do is what is required by our lease with mall developers. We tested direct mail, but there was no response. Our customer tends to be audiovisual," explains Michael Sullivan, president.

In terms of continued expansion and growth, Sullivan sees limited opportunities for the Merry-Go-Round Stores, which specialize in medium-priced unisex apparel, but plenty of room for DJ's, which sells trendy young men's apparel. While Sullivan estimates that there are 25 or so good mall locations left for Merry-Go-Round, he echoes the sentiments of many developers in that he sees the real future in downtown locations.

Merry-Go-Round has no debt, is self-financing and has the cash clout to continue store expansion of about 20% a year. Sullivan does not expect current levels of growth to last indefinitely and he expects the rate of growth to tone down to a manageable 20% annually. Right now the plan calls for the addition of about 40 stores a year, and capital expenditures budgeted for 1984 will total about $7 million to $9 million. That is a position the company can easily support with $10 million in cash. ■

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Retailers and developers should continue *to benefit from the economic recovery at least through the remainder of 1984.*

Survey says sales still strong

Average sales per square foot of shopping center GLA are now running at $167.60, approximately 6% above 1983's level of $157.30, and may climb still further before the year is over.

This is one of the chief findings of a recent research study conducted by *Chain Store Age Executive* which looks at shopping center sales broken down by size of center, by geographic region and by retail category. Specific comparisons between regional centers and small centers are also included.

Respondents in the study were asked to indicate ownership or management responsibility for the following types of shopping centers: regional malls, neighborhood/strip centers, outlet/off-price centers, festival centers and mixed-use centers.

Two-thirds of the respondents answered that they presently own or manage regional malls while nearly one-half of the developers (66% compared with 46%) have similar responsibility for neighborhood/strip centers. Approximately 10% are involved with outlet/off-price centers, while 8% are involved with mixed-use centers and 4% with festival centers.

For the sample as a whole, the average size in GLA of shopping centers presently owned or managed is 581,000 sq. ft. Specifically, 42% of the respondents indicated that they own or manage centers 1 million sq. ft. or larger, while 58% are involved with centers ranging in size from 751,000 to 1 million sq. ft. Further breakdowns include: 52% are involved with centers in the range of 501,000 to 750,000 sq. ft.; 64% are involved with centers between 201,000 and 500,000 sq. ft.; 60% own or manage centers between 101,000 and 200,000 sq. ft., and 44% are involved with centers 100,000 sq. ft. or less in size.

Centers of 501,000 sq. ft. or more represent the greatest sales growth potential for the remainder of 1984

The research also indicates that for 1984 to-date, the larger the shopping center, the higher the average sales per square foot of GLA. Specifically, centers of more than 1 million sq. ft. (the largest size range which was investigated) are generating the highest average sales at $194. In comparison, the smallest centers investigated, those 100,000 sq. ft. and less, are generating sales averaging $139.

Respondents also reported the following breakdowns: $184 for centers from 751,000 to 1 million sq. ft. in size; $184 for centers in the range of 501,000 to 750,000 sq. ft.; $155 for those centers ranging between 201,000 and 500,000 sq. ft., and $149 for centers with between 101,000 and 200,000 sq. ft. of GLA.

Not only do the larger size centers currently account for the higher volume per square foot, but 66% of the developers queried believe that cen-

Average sales per square foot of GLA in 1984

	100,000 Sq. Ft. Or Less	101,000-200,000 Sq. Ft.	201,000-500,000 Sq. Ft.	501,000-750,000 Sq. Ft.	751,000-1 million Sq. Ft.	1 million + Sq. Ft.
(Bases:)	(22)	(30)	(32)	(26)	(29)	(21)
	%	%	%	%	%	%
$50 or less	—	—	—	—	—	—
$51-$100	9	3	3	—	3	—
$101-$150	32	30	25	8	3	—
$151-$200	18	37	41	42	45	38
$201-$250	4	—	3	12	24	24
$251 +	—	—	—	4	—	—
Refused	4	7	6	8	7	10
Don't know/ No answer	32	23	22	27	17	29
(Mean)	($139)	($149)	($155)	($184)	($184)	($194)

Source: *Chain Store Age Executive* research

ters 501,000 sq. ft. or larger represent the greatest sales growth potential for the remainder of 1984. However, 20% of the respondents differ in their assessment, expecting that the largest increase in sales over the remainder of 1984 will occur in centers ranging from 100,000 to 200,000 sq. ft. of GLA.

Further comparisons can be drawn between the responses of those developers who own/manage regional malls exclusively and those who own/manage neighborhood/strip centers exclusively. The average size in GLA of shopping centers presently owned/managed by the regional mall group is 798,000 sq. ft., compared with 198,000 sq. ft. for the neighborhood/strip centers.

In 1983, regional malls achieved sales levels of $167.90 per square foot of gross leasable area

The results show that, on the average, in 1983 regional malls achieved a higher level of sales per square foot of GLA, at $167.90, than did neighborhood/strip centers, with sales of $133.30.

For 1984 to-date, sales at regional malls have risen by approximately 2.7%, to $172.50 per square foot of GLA, while sales at neighborhood/strip centers increased by 3.2% to $137.50. Developers of each type of center anticipate that for all of 1984 sales productivity will increase significantly over 1983's levels. (For further information on neighborhood/strip centers, including a definition by size, as well as on other types of small center development, see story elsewhere in this *Shopping Center Age Section.*)

Average sales per gross square foot of GLA-1984

	Shopping Center Type	
	Regional Malls	Neighborhood/ Strip Centers
(Bases:)	(22)	(13)
	%	%
$50 or less	—	—
$51-$100	4	6
$101-$150	14	54
$151-$200	54	31
$201-$250	18	—
$251 +	—	—
Refused	4	—
Don't know/ No answer	4	3
(Mean)	($172.50)	($137.50)

Source: *Chain Store Age Executive research*

Average sales per gross square foot of GLA in 1983

	Total
(Bases:)	(50)
	%
$50 or less	—
$51-$100	6
$101-$150	34
$151-$200	44
$201-$250	12
$251 +	—
Refused	2
Don't know/no answer	2
(Mean)	($157.30)

Source: *Chain Store Age Executive research*

Participants in the survey were also questioned as to which of the following classifications of retail outlets are currently generating the highest sales per square foot at their centers: jewelry stores; regularly priced apparel specialty stores; off-price apparel stores; food-related retailers; drug chains; department stores, and entertainment/computer stores.

The largest proportion of respondents, 38%, cited regularly priced apparel specialty stores as accounting

Spaces in the Chicago Market

A **Naperville Plaza** - Naperville, Ill. 110,000 sq. ft. anchored by Colony Foods and Moser Home Center.

B **Hometown Shopping Center** - Hometown, Ill. (87th & Pulaski) 75,000 sq. ft. anchored by Colony Foods and Duff's Famous Smorgasbord.

C **Rolling Meadows Shopping Center** - Rolling Meadows, Ill. 120,000 sq. ft. anchored by Certified Warehouse Foods.

D **Norwood Square Shopping Center** - Park Forest, Ill. 150,000 sq. ft. anchored by Dominicks Finer Foods, Walgreen Drugs & Aldi Foods. (Occupancy, Fall 1984)

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for the highest sales volume. This classification is followed by jewelry stores, indicated by 20%, and off-price apparel specialty stores, reported by 18%.

Only 8% of the respondents cited food-related establishments as generating the highest sales per square foot, followed by 2% for drug chains, 2% for department stores and 2% for entertainment/computer stores. Results for other types of specialty stores were not investigated.

Comparing those involved exclusively in mall development and those involved with neighborhood/strip centers, 41% of the regional mall developers reported that regularly priced apparel specialty stores generate the highest volume in their centers, compared with 31% of the neighborhood/strip center developers. However, there are major variances in their experiences with sales volumes generated by the other retail classifications included in the survey.

For example, 36% of those involved in regional malls reported jewelry as their highest volume retail category. However, none of the neighborhood/strip center owners or managers cited this category. Conversely, 38% did point to off-price ap-

Type of store with highest sales per square foot

		Shopping Center Type	
	Total	Regional Malls	Neighborhood/ Strip Centers
(Bases):	(50)	(22)	(13)
	%	%	%
Regularly priced apparel specialty stores	38	41	31
Jewelry	20	36	—
Off-price apparel	18	—	38
Food-related	8	4	8
Drug chains	2	4	—
Department stores	2	—	—
Entertainment/ Computer stores	2	4	—
Don't know/ no answer	10	9	23

Source: *Chain Store Age Executive* research

Primary type of centers presently owned/managed

	Total
(Bases:)	(50)
Regional malls	66
Neighborhood/Strip centers	46
Outlet/Off-price centers	10
Mixed-use centers	8
Festival centers	4

Source: *Chain Store Age Executive* research

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parel specialty stores, reported by none of those involved exclusively with the regional malls.

As for food-related establishments, these were reported to be the big sales generators by 4% of the regional mall people and by 8% of the neighborhood/strip center people. More surprisingly, drug chains were cited by 4% of the regional mall respondents but by none of the neighborhood/strip center group.

Department stores were listed by neither group and entertainment/computer stores were cited by only 4% of the regional mall respondents. Nine per cent of the regional mall group fell into the "don't know/no answer" group related to this question, compared with 23% of the neighborhood/strip center group. One of the main reasons for this discrepancy is the fact that fewer neighborhood/strip center developers have installed the sophisticated computerized sales tracking systems that are already online at most of the major mall development companies.

Sales per square foot of GLA for 1984 to-date are reported highest in the mid-Atlantic region

Broken down by region, 32% of the participants in this survey reported that most of their shopping centers are located in the Northeast region; 28% in the Southeast; 26% in the Midwest; 22% in the Southwest; 18% in the mid-Atlantic region, and only 4% in the Pacific region. A whopping 84% of the respondents reported that they own/manage shopping centers in one area of the country exclusively.

Size centers where greatest 1984 increases expected*

(Bases:)	Total (35) %
100,000 sq. ft. or less	3
101,000-200,000 sq. ft.	20
201,000-500,000 sq. ft.	9
501,000-750,000 sq. ft.	29
751,000-1 million sq. ft.	20
1 million+ sq. ft.	17
Refused	3
Don't know/No answer	9

*Those who own/manage shopping centers of two or more sizes

Source: *Chain Store Age Executive* research

Area of the country with highest sales per square foot*

Mid-Atlantic	$191.70
Northeast	175.00
Midwest	169.40
Southwest	166.70
Southeast	150.00

Source: *Chain Store Age Executive* research

*Based on average sales per gross square foot of GLA to date in 1984 for those respondents who own/manage shopping centers in one region exclusively.

Of the majority which own/manage centers in only one region, average sales per square foot of GLA for 1984 to-date are reported highest in the mid-Atlantic region, at $191.70. This is followed by the Northeast, at $175, the Midwest, at $169.40, the Southwest, at $166.70, and the Southeast, at $150.

From all indications, retailers and developers should continue to benefit from the economic recovery at least through the remainder of 1984 with sales volumes continuing on an upward trend. This should hold true whether looking at centers broken down by type or by size, or at specific retail categories or specific geographic regions. ■

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ACCOUNTING NEWS

By William U. Westerfield

Fifty years of investor protection

As the Securities and Exchange Commission (S.E.C.) approaches its 50th birthday, the scenario has changed dramatically. The United States is widely credited with having the most advanced accounting, auditing and reporting system of any country in the world. True, that system still is loaded with imperfections crying to be addressed. And there is ample testimony to the continuing need for a watchful eye on investor interests. What used to be a disclosure vacuum has been replaced by a condition often described as "information overload."

How much credit fairly accrues to S.E.C. for the undeniable improvements in financial reporting during its tenure? Probably a larger share than some would care to admit. As a matter of policy, the commission relies on the private sector to establish and improve accounting standards. Nonetheless, the influence exerted through S.E.C.'s oversight role is unmistakable.

Normally quick to conform its own requirements with new Financial Accounting Standards Board (FASB) standards, S.E.C. overruled FASB on the subject of oil and gas accounting and sometimes augments FASB dicta with its own. When the commission perceives that current reporting problems warrant timely attention, stopgap action is often forthcoming.

Recent changes in its requirements have shown the commission to be on the cutting edge of progress. The integrated disclosure program brought an end to an impenetrable jungle of duplication, inconsistency and dead wood. Shelf registration procedures have become a welcome source of cost savings to retailers that qualify. Still to come, EDGAR, S.E.C.'s electronic information analysis and retrieval system, should provide benefits in the future.

Not that we think the commission is always right. Over the years, my firm has opposed commission positions on many substantive issues. In its zeal for remedial action, S.E.C. sometimes has imposed ill-considered requirements. Remember, for example, the reserve recognition accounting fiasco? S.E.C. also has a history of premature demands for auditor involvement in areas where no standards or bases for informed compliance exist. And the iron fist of the regulator showed clearly in the sledgehammer tactics employed by the Enforcement Division during the questionable payments era.

A regulator can never be truly popular with the regulated. On balance, we think S.E.C. deserves good marks for 50 years of credible and fair performance. If it has been stern, the occasion demanded it. If it has explored wrong avenues, it often corrected its course. If it has seemed to burden the corporate world, protection of investor interests is its legislative charge. Happy 50th birthday, S.E.C.

William U. Westerfield is chairman, Retailing Industry Services Group, Price Waterhouse, 153 E. 53rd St., New York, N.Y. 10022.

F.Y.I.

Industry mourns death of William Arnold, 59

Retailing leaders were saddened by the death of William P. Arnold, 59, who recently resigned as chairman and ceo of Associated Dry Goods. He had suffered from cancer for many years.

Joseph Johnson, who succeeded Arnold as ADG chairman, said: "One of the great rewards of my life has been the privilege of knowing and working with Bill Arnold. We have lost a great leader and true friend."

Sumner Feldberg, chairman of Zayre Corp., who recently succeeded Arnold as chairman of the National Retail Merchants Association, said that despite Arnold's bout with cancer, "he had the courage to stay alive, stay involved and stay interested."

Until a week before he died, Arnold—who had assumed the role of chairman of the executive committee—was in his ADG office almost every day.

Joseph Brooks, chairman of ADG's Lord & Taylor division, said: "No one was more courageous—unbelievable, unbelievable."

Philip Hawley, chairman of Carter Hawley Hale, said that Arnold was a rare individual who possessed both personal talents and merchandising skills.

Toronto "R" Us

Toys "R" Us is planning a long awaited expansion into Canada with the launching of four stores in the Toronto area this fall. The 45,000-sq.-ft. units will be backed by a 150,000-sq.-ft. distribution center and business office.

The Canadian toy market ($1.2 million) is smaller than that of the United States ($900 million), but the company will attack it with the same fervor it displays domestically. In fact, the company says it plans to be a coast-to-coast operator in Canada.

Toys "R" Us's low prices and deep selection will heat up competition, according to the Canadian Toy Manufacturers Association. The main competition will be Toy City, a scaled-down version of the American retailer. This chain, which operates in the Ontario and Quebec provinces, plans five openings this fall. There are two Toy City stores in Toronto.

Canadian retailers harbor a certain amount of admiration for Toys "R" Us. "We've watched them for many years and have developed a healthy respect for them—but Canada is another world," says Don Beaumont, vp-marketing for Towers Department Stores.

However, most industry analysts view the Toronto venture in the same light as Toys "R" Us's other expansions into new markets and expect the company will succeed. They look at Toronto as a natural extension of the chain's Northeast market.

Correction

Annual sales per employee in the home center industry last year were $128,100, according to a *Chain Store Age Executive* survey. Annual sales per employee for the supermarket industry were $79,300. These two figures were reported incorrectly in the September issue.